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OAKLAND

2013 MAY 16 PM 3:56

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Katano Kasaine

SUBJECT: 2013 Oakland Central District Subordinated Tax Allocation Refunding Bonds
DATE: May 8, 2013

City Administrator
Approval

Date

5/16/13

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff is recommending that the City Council adopt a successor agency resolution authorizing the issuance and prescribing the terms, conditions and form of not to exceed \$117,000,000 principal amount of the Oakland Redevelopment Successor Agency Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013, approving the form of and authorizing the execution and delivery of a fourth supplemental indenture of trust and a bond purchase agreement; approving the form of and authorizing the distribution of a preliminary official statement and authorizing execution and delivery of an official statement; approving the selection and retention of a financial advisor and underwriter; authorizing payment of costs of issuance; and authorizing and approving necessary actions in connection therewith.

EXECUTIVE SUMMARY

The Redevelopment Agency of the City of Oakland (the "Original Agency") had issued its \$120,605,000 aggregate principal amount of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003 (the "Series 2003 Bonds") in 2003 and its \$44,360,000 aggregate principal amount of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005 (the "Series 2005 Bonds" and together with the Series 2003 Bonds, the "Prior Bonds") in 2005 for the purpose of financing and refinancing redevelopment activities with respect to the Central District Redevelopment Project.

The California Supreme Court's upholding of Assembly Bill x1 26 ("ABx1 26") on December 29, 2011 resulted in the deliberate statutory demise of all redevelopment agencies active in the State of California. This legislation enabled the formation of the Oakland Redevelopment Successor Agencies ("ORSA"), which have the responsibility to wind down outstanding

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obligations and affairs, including fulfilling the legally enforceable obligations of the Original Agency. Assembly Bill 1484 (AB 1484) permits ORSA to refund outstanding bonds or other obligations of the Original Agency.

Staff recommends refunding of the Prior Bonds to achieve debt service savings. Based upon market conditions as they existed on May 2, 2013, the refunding would generate approximately \$10.1 million or 9.28% in net present value savings which is approximately \$11 million in debt service savings through 2022. The industry standard and the City's debt policy for undertaking a refunding of bonds is achieving net present value savings of 3% or greater.

Refunding the Prior Bonds will reduce the annual debt service payments, namely the Recognized Obligation Payment Schedule (ROPS), which would produce savings. On average, the annual debt service savings on the Prior Bonds is estimated to be \$1.23 million through 2022. The City will receive a share of this savings as a residual distribution from the Redevelopment Property Tax Trust Fund (RPTTF). As a result, the City will benefit approximately 39% of the annual debt service savings that the refunding generates, which is estimated to be on average of \$478,000 through 2022.

Staff recommends adoption of the resolution authorizing the issuance of the Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013 (the "Series 2013 Bonds") and authorizing the execution of such related documents as may be necessary in order to structure the Series 2013 Bonds. Upon City Council approval of the resolution, Staff anticipates seeking approval from the ORSA's Oversight Board and the Department of Finance of the State of California in June 2013 for the issuance of Series 2013 Bonds will also have to be approved.

OUTCOME

Issuing the Series 2013 Bonds will fully refund the Series 2003 Bonds and Series 2005 Bonds, resulting in annual debt service reduction. The reduction will be reflected in the January-June 2014 ROPs.

The City will get a percentage of this savings starting January 2014. The City of Oakland's share of the residual surplus property taxes in RPTTF is projected to be thirty-nine percent (39%). On average, the City will benefit approximately \$478,000 annually for the life of the bonds.

In order to realize the additional savings starting in January 2014, Staff is expecting the Series 2013 Bonds to close on or before September 18, 2013 as summarized in the financing schedule below:

Financing Schedule

<u>Date</u>	<u>Action</u>
May 28, 2013	• Finance and Management Committee Meeting
June 4, 2013	• City Council Meeting
June 14, 2013	• Oversight Board Meeting to approve action by ORSA
June 18, 2013	• Start of 65-day Department of Finance Review Period
July 18, 2013	• End of 30-day challenge (Department of Finance)
August 22, 2013	• End of Department of Finance Review Period
September 5, 2013	• Pricing of the Series 2013 Bonds
September 18, 2013	• Closing of the Series 2013 Bonds
January 2014	• Surplus fund released to taxing entities

BACKGROUND/LEGISLATIVE HISTORY

The Redevelopment Agency of the City of Oakland (the "Original Agency") previously issued its \$120,605,000 aggregate principal amount of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003 and its \$44,360,000 aggregate principal amount of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005 for the purpose of financing and refinancing redevelopment activities with respect to the Redevelopment Project.

In late June 2011, ABx1 26 was enacted as part of the FY 2011-12 state budget package and was upheld by the California Supreme Court to be largely constitutional on December 29, 2012, resulted in the dissolution of all California redevelopment agencies as of February 1, 2012. This legislation enabled the formation of successor agencies, which have the responsibility to wind down outstanding of the former redevelopment agencies. One primary obligation of successor agencies is to ensure that outstanding bond payments are made in a timely manner until associated debt is paid off. Successor agencies are also charged with the divesting of other assets that the Successor Agencies may control.

AB 1484 is a follow-on legislation act that was passed on June 27, 2012 by the State Legislature to clarify and better organize certain procedures created by ABx1 26. AB 1484 permits successor agencies to refund outstanding bonds or other obligations of a former redevelopment agency if the aggregate amount of principal and interest of the refunding bonds does not exceed the aggregate amount remaining unpaid on the refunding bonds, and it provides savings to the to the successor agency pursuing the refunding.

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ANALYSIS

Refunding Structure

In an effort to find ways to restructure and reduce existing annual debt service obligations to ORSA, Staff has been reviewing refunding opportunities on all of the ORSA's outstanding debt. Given the continued favorable interest rate market, refunding all of the Prior Bonds will generate debt service savings of approximately \$11 million through 2022. The net present value savings is expected to be \$10.1 million or 9.28% of the refunded bonds. The industry standard and the City's debt policy for undertaking a refunding of bonds is a net present value (NPV) savings of 3% or greater. The refunding of the Series 2003 Bonds and Series 2005 Bonds exceeds the NPV savings of 3% as presented in the table below.

	Series 2003 Bonds	Series 2005 Bonds	Combined
Debt Service Savings	\$9,474,342	\$1,560,847	\$11,035,189
Net Present Value Savings	\$8,746,505	\$1,398,220	\$10,144,725
Net Present Value Savings	11.31%	4.37%	9.28%

Refunding the Prior Bonds will reduce the annual debt service payments thus providing savings. These savings will increase the amount of "residual" property tax (or tax increment) available to be redistributed to other taxing entities (including the City). The refunding will generate on average \$1.23 million in annual debt service savings through 2022. The City will receive a share of this savings which amounts to approximately 39% of the annual debt service savings (\$478,000 annually).

ORSA intends to issue the Series 2013 Bonds to fully refund \$77,325,000 of Series 2003 Bonds and \$31,970,000 of Series 2005 Bonds that are outstanding. The transaction is being structured as a fixed rate bond issue. The Series 2013 Bonds will be issued as current interest refunding bonds. The Series 2013 Bonds will be sold through a negotiated bid process due to the complexity of the transaction and to provide structuring flexibility in this type of market environment.

The Series 2013 Bonds annual debt service payments will be payable from RPTTF held by the county auditor-controller with respect to ORSA, which is equivalent to the tax increment revenues that were formally under the Redevelopment Law to be used for financings of redevelopment projects.

PUBLIC OUTREACH/INTEREST

This item did not require any additional public outreach other than the required posting on the City's website.

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COORDINATION

This report has been prepared by the Treasury Division in coordination with City Attorney's Office and Budget Office.

COST SUMMARY/IMPLICATIONS

The Series 2013 Bonds debt service payments will be payable from RPTTF. Any additional fees associated with issuing the Series 2013 Bonds will be paid from bond proceeds and contingent upon closing of the transaction.

SUSTAINABLE OPPORTUNITIES

Economic: The refunding will result in savings by reducing debt service costs; these savings will be passed through to the City as a residual distribution from RPTTF. The refunding would generate a total of approximately \$10.1 million in net present value savings, or 9.28% of the amount of the refunded bonds.

Environmental: There are no environmental opportunities associated with this report.

Social Equity: There are no social equity opportunities associated with this report.

CEQA

This report is not a project under CEQA.

For questions regarding this report, please contact Katano Kasaine, Treasurer at (510) 238-2989.

Respectfully submitted,



KATANO KASAINÉ
Treasurer, Treasury Division

Reviewed by:
David Jones, Principal Financial Analyst
Treasury Division

Prepared by:
Dawn Hort, Financial Analyst
Treasury Division

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OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

RESOLUTION NO. 2013-_____

A SUCCESSOR AGENCY RESOLUTION AUTHORIZING THE ISSUANCE AND PRESCRIBING THE TERMS, CONDITIONS AND FORM OF NOT TO EXCEED \$117,000,000 PRINCIPAL AMOUNT OF THE OAKLAND REDEVELOPMENT SUCCESSOR AGENCY CENTRAL DISTRICT REDEVELOPMENT PROJECT SUBORDINATED TAX ALLOCATION REFUNDING BONDS, SERIES 2013, APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FOURTH SUPPLEMENTAL INDENTURE OF TRUST AND A BOND PURCHASE AGREEMENT; APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT; APPROVING THE SELECTION AND RETENTION OF A FINANCIAL ADVISOR AND UNDERWRITER; AUTHORIZING PAYMENT OF COSTS OF ISSUANCE; AND AUTHORIZING AND APPROVING NECESSARY ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Redevelopment Agency of the City of Oakland (the "Original Agency") has heretofore issued its \$120,605,000 aggregate principal amount of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003 (the "Series 2003 Bonds") and its \$44,360,000 aggregate principal amount of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005 (the "Series 2005 Bonds" and, together with the Series 2003 Bonds, the "Prior Bonds") for the purpose of financing and refinancing redevelopment activities with respect to the Redevelopment Project (as defined in the hereinafter mentioned Indenture), pursuant to an Indenture of Trust, dated as of January 1, 2003, by and between the Original Agency and the Trustee (as amended through the date hereof, the "Indenture"); and

WHEREAS, by implementation of California Assembly Bill X1 26, which amended provisions of the California Redevelopment Law (found at Health and Safety Code Section 33000, et.seq.), and the California Supreme Court's decision in California Redevelopment Association v. Matosantos, the Original Agency was dissolved on February 1, 2012 in accordance with California Assembly Bill X1 26 approved by the Governor of the State of California on June 28, 2011 ("AB 26"), and on February 1, 2012, the Successor Agency, in accordance with and pursuant to AB 26, assumed the duties and obligations set forth in AB 26 for the Original Agency, including, without limitation, the obligations of the Original Agency under the Indenture and related documents to which the Original Agency was a party; and

WHEREAS, the Successor Agency has determined that it is in the best financial interests of the Successor Agency to refund, at this time, the Prior Bonds; and

WHEREAS, the Successor Agency intends to refund the Prior Bonds by issuing an additional series of bonds (as further described below, the "Bonds") under and pursuant to the Law and the hereinafter defined Indenture, and such Bonds will be issued on a parity with the Series 2006T Bonds and the Series 2009T Bonds (as such terms are defined in the Indenture) under and pursuant to the provisions of the Indenture; now therefore be it

RESOLVED, the Oakland Redevelopment Successor Agency finds, determines, declares and resolves as follows:

Section 1. Conditions Precedent. Except as provided in Section 14 below, all conditions, things and acts required by law to exist, to happen and to be performed precedent to and in connection with the issuance by the Successor Agency of the Bonds exist, have happened and been performed in due time, form and manner, in accordance with applicable law, and the Successor Agency is now authorized pursuant to Article 10 (commencing with Section 53570) and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of title 5 of the California Government Code, in accordance with Section 34177.5 of the California Health and Safety Code, to issue the Bonds in the manner and form provided in this Resolution.

Section 2. Indenture. The Fourth Supplemental Indenture of Trust (the "Fourth Supplement"), between the Successor Agency and the Trustee, in substantially the form on file with the Secretary of the Successor Agency (the "Secretary"), is hereby approved and adopted. The Administrator of the Successor Agency (the "Administrator") or the Treasurer of the Successor Agency (the "Treasurer"), each acting alone, or the designee of either, is hereby authorized and directed to execute and the Secretary is hereby authorized to attest to, the Fourth Supplement in substantially the form presented to this Agency Board and on file with the Secretary, with such changes, additions, amendments or modifications (including but not limited to changes, additions, amendments or modifications necessary to obtain ratings on the Bonds, or a municipal bond insurance commitment or reserve fund surety bond for the Bonds) that are approved by the Administrator or the Treasurer, in consultation with Counsel to the Successor Agency ("Counsel"), as being in the interest of the Successor Agency, such approval to be conclusively evidenced by said execution. The Successor Agency hereby agrees to comply with, or cause to be complied with, all covenants of the Successor Agency set forth in the Indenture and the Fourth Supplement.

Section 3. Issuance of Bonds. The Board of the Successor Agency hereby authorizes the issuance of the Bonds which shall be designated the "Oakland Redevelopment Successor Agency Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013" in an aggregate amount of

not to exceed \$117,000,000, subject to the terms set forth in the Purchase Agreement (defined below).

Section 4. Form of Bonds. The form of the Bonds, in substantially the form attached to the Fourth Supplement, is hereby approved and adopted. The Administrator or the Treasurer is hereby authorized and directed to approve and to execute the Bonds by manual or facsimile signature, and the Secretary is hereby authorized and directed to attest, by manual or facsimile signature, such signature on the Bonds, with such changes, additions, amendments or modifications made in accordance with Section 11 hereof.

Section 5. Bond Purchase Agreement. The Purchase Agreement (the "Purchase Agreement"), by and between the Successor Agency and the Underwriter (as hereinafter defined), substantially in the form submitted to this meeting and on file with the Secretary, is hereby approved, and the Administrator or the Treasurer, or the designee of either, is hereby authorized and directed to execute and deliver said Purchase Agreement with such changes therein as the Administrator or the Treasurer may approve, such approval to be conclusively evidenced by the execution and delivery of such Purchase Agreement, provided that the aggregate principal amount of Bonds to be issued shall not exceed \$117,000,000, the Underwriters' discount (excluding original issue discount, if any) shall not exceed thirty-five one hundredths of one percent (0.35%), and the final maturity for Bonds shall not be later than September 1, 2022. De La Rosa & Co., Inc. and Stifei Nicolas & Company, Incorporated are hereby approved as the underwriters of the Bonds (collectively, the "Underwriter"). Additionally, the total net interest cost to maturity on the Bonds plus the aggregate principal amount of the Bonds shall be less than the total net interest cost to maturity on the Prior Bonds plus the aggregate principal amount of the Prior Bonds.

Section 6. Appointment of Depositories and Other Agents. The Administrator or the Treasurer, each acting alone, or the designee of either, is hereby authorized and directed to appoint from time to time one or more depositories for the Bonds, as they may deem desirable. The Administrator or the Treasurer, each acting alone, or the designee of either, is hereby also authorized and directed to appoint from time to time one or more agents, as she may deem necessary or desirable. To the extent permitted by applicable law, and under the supervision of the Treasurer, such agents may serve as paying agent, trustee or registrar for the Bonds, or financial printer or may assist the Treasurer in performing any or all of such functions and other duties as the Treasurer shall determine. Such agents shall serve under such terms and conditions, as the Treasurer shall determine. The Treasurer may remove or replace agents appointed pursuant to this section at any time.

Section 7. Municipal Bond Insurance Policy; Reserve Fund Surety Bond. The Administrator or the Treasurer, each acting alone, or the designee of either, is hereby authorized to negotiate and procure a municipal bond insurance policy or a reserve fund surety bond for the Bonds so long as such policy, in the opinion of such parties, will result in present value debt service savings to the Successor Agency, taking into account the cost of the premium for such policy to the Successor Agency. If a

municipal bond insurance policy or reserve fund surety bond is to be obtained, the Administrator or the Treasurer, each acting alone, or the designee of either, is hereby authorized to negotiate such additional conditions, covenants and agreements to be observed by the Successor Agency as may be required by such municipal bond insurer or provider of such reserve fund surety bond, and such covenants and agreements shall be reflected in the Fourth Supplement as executed by the Successor Agency.

Section 8. Official Statement. The Administrator is hereby authorized and directed, in consultation with Counsel, to prepare a preliminary official statement for the Bonds authorized by this Resolution. The form of proposed preliminary official statement (the "Preliminary Official Statement"), in substantially the form presented to this Agency Board and on file with the Secretary, is hereby approved and adopted with such changes, additions, amendments or modifications as may be made in accordance with Section 11 hereof. The Administrator and the Treasurer are each hereby authorized to cause the distribution of a Preliminary Official Statement for the Bonds, deemed final by this Agency Board for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934, as amended, and the Treasurer and the Administrator are each separately authorized to execute a certificate to that effect. The Administrator and the Treasurer are each separately authorized and directed to sign a final Official Statement for the Bonds. The Administrator and the Treasurer are each hereby authorized and directed to cause to be printed and mailed to prospective purchasers of the Bonds copies of the Preliminary Official Statement and the final Official Statement.

Section 9. Appointment of Financial Advisor. The retention of the firm of Urban Futures Inc., as financial advisor to the Successor Agency on this issuance, is hereby approved. The Administrator or the Treasurer, each acting alone, or the designee of either, is hereby authorized to negotiate and execute contractual agreements with Urban Futures Inc. in connection with the issuance of the Bonds.

Section 10. Payment of Costs of Issuance. The Treasurer is hereby authorized and directed to pay, or cause to be paid on behalf of the Successor Agency, the costs of issuance associated with the Bonds, including any transferred proceeds penalty incurred in connection with the refunding of the Series 2003 Bonds.

Section 11. Modification to Documents. Any Agency official authorized by this Resolution to execute any document is hereby further authorized, in consultation with the Administrator, the Treasurer and Counsel, to approve and make such changes, additions, amendments or modifications to the document or documents the official is authorized to execute as may be necessary or advisable (provided that such changes, additions, amendments or modification shall not authorize an aggregate principal amount of Bonds in excess of \$117,000,000). Such changes may include the refunding of only the Series 2003 Bonds or the Series 2005 Bonds if the Agency determines it is in its best interest of the Agency to refund only the Series 2003 Bonds or the Series 2005 Bonds. The approval of any change, addition, amendment or modification to any

of the aforementioned documents shall be evidenced conclusively by the execution and delivery of the document in question.

Section 12. Ratification. All actions heretofore taken by the officials, employees and agents of the Successor Agency with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified.

Section 13. General Authority. The Administrator, the Treasurer, the Secretary or each such person's duly authorized designee and agent, and any other officials of the Successor Agency and their duly authorized designee and agents are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents including, but not limited to, a Continuing Disclosure Certificate, refunding instructions or escrow agreements required to be executed in connection with the refunding of the Series 2003 Bonds and the Series 2005 Bonds, and a letter of representation to any depository for the Bonds, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds, and to effectuate the purposes thereof and of the documents herein approved in accordance with this Resolution.

The Administrator and the Treasurer may designate in writing one or more persons to perform any act, which such persons are hereby authorized by this Resolution to perform.

Section 14. Effect. This Resolution shall take effect immediately upon its passage; provided, however, that the Successor Agency will not execute and deliver the documents approved hereby or issue the Bonds until such execution, delivery and issuance has been approved by the Successor Agency's Oversight Board and the Department of Finance of the State of California.

IN SUCCESSOR AGENCY, OAKLAND, CALIFORNIA, June 4, 2013

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, SCHAAF and PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LATONDA SIMMONS
Secretary of the Oakland
Redevelopment Successor Agency