STAFF REPORT
Lancaster Successor Agency

SA NB 1
11/10/15
MVB

Date: November 10, 2015

To: Chairman Parris and Agency Directors

From: Barbara Boswell, Finance Director

Subject: **Resolution Authorizing the Issuance and Sale of Two Series of Tax Allocation Refunding Bonds, Approving the Form of Two Indentures of Trust and Authorizing Certain Other Actions in Connection with the Refunding**

Recommendation:
Adopt **Resolution No. SA 10-15,** authorizing the issuance and sale of two series of Tax Allocation Refunding Bonds, approving the form of two Indentures of Trust and authorizing certain other actions in connection with the refunding.

Fiscal Impact:
The refunding of the previously issued (and described below) 1994 CBD Bonds, 1999 Amargosa Bonds, 2003B Bonds 2004B Bonds, 2006 Bonds and a portion of the 2003 Bonds with the proceeds of the 2016A Bonds will result in a decrease in annual debt service payments in amounts estimated to average $550,000 per year, without extending the current maturity dates of the bonds being refunded. It is estimated the refunding will generate overall gross savings of approximately $10.4 million through their remaining maturity date of February 1, 2039. The refunding of the previously issued (and described below) 2004 School Bonds, 2006 School Bonds and a portion of the 2003 Bonds with the proceeds of the 2016B Bonds will result in a decrease in annual debt service payments in amounts estimated to average $230,000 per year, without extending the current maturity dates of the bonds being refunded. It is estimated the refunding will generate overall gross savings of approximately $4.4 million through their remaining maturity date of February 1, 2037. A portion of the 2003 Bonds are not refundable and will remain outstanding until their final maturity of February 1, 2020.

Background:
In January, 1994, the former Lancaster Redevelopment Agency (former RDA) issued its Central Business District Redevelopment Project Area, Tax Allocation Refunding Bonds, Issue of 1994 currently outstanding in the amount of $760,000 (the “1994 CBD Bonds”). In March, 1999, the former RDA issued its Amargosa Redevelopment Project, Tax Allocation Refunding Bonds, Issue of 1999 currently outstanding in the amount of $1,995,000 (the “1999 Amargosa Bonds”). In June, 2003, the Lancaster Financing Authority (the “Authority”) issued its Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6

Redevelopment Projects), Issue of 2003 currently outstanding in the amount of $34,430,000 (approximately 93.2% of debt service is the responsibility of the Successor Agency with the remainder payable from School District Pass-Through) ("the 2003 Bonds"). In December, 2003, the Authority issued its Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects), Issue of 2003B currently outstanding in the amount of $10,620,000 (the "2003B Bonds"). In September, 2004, the Authority issued its Tax Allocation Refunding Bonds, (Lancaster Redevelopment Project No. 5 and Project No. 6 (School Districts)), Issue of 2004 currently outstanding in the amount of $6,635,000 (the "2004 School Bonds"). In November, 2004, the Authority issued its Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Fox Field, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects), Issue of 2004B currently outstanding in the amount of $9,390,000 (the "2004B Bonds"). In November, 2006, the Authority issued its Tax Allocation Bonds (School District Projects), Series 2006 currently outstanding in the amount of $11,885,000 (the "2006 School Bonds"). In December, 2006, the Authority issued its Tax Allocation Revenue Bonds (Lancaster Residential, Fox Field, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects), Issue of 2006 currently outstanding in the amount of $20,430,000 (the "2006 Bonds").

California Health and Safety Code Section 34177.5(a) authorizes successor agencies to refund outstanding bonds provided that the total refunding principal and interest does not exceed the total principal and interest of the bonds being refunded, and the principal amount of the refunding bonds does not exceed the amount needed to defease the refunded bonds, establish customary debt service reserves, and pay related costs of issuance.

A review of the above mentioned financings indicates that the 1994 CBD Bonds, the 1999 Amargosa Bonds, a portion of the Loan Agreements with respect to the 2003 Bonds, the Loan Agreements with respect to the 2003B Bonds, the Loan Agreements with respect to the 2004B Bonds and the Loan Agreements with respect to the 2006 Bonds can be refinanced with one financing and be consistent with the requirements of the Health and Safety Code Section 34177.5(a) and would result in a decrease in the annual debt service payments. The savings associated with the refunding will benefit all of the taxing agencies located in the redevelopment project areas (the "Project Areas") as well as the City in the form of residual revenues.

A review of the above mentioned financings indicates that a portion of the Loan Agreements with respect to the 2003 Bonds, the Loan Agreements with respect to the 2004 School Bonds and the Loan Agreements with respect to the 2006 School Bonds can be refinanced with one financing and be consistent with the requirements of the Health and Safety Code Section 34177.5(a) and would result in a decrease in the annual debt service payments. The savings associated with the refunding will benefit the Antelope Valley Union High School District, the Lancaster School District, the Eastside Union School District and the Westside Union School District (the "School Districts").

All costs of issuance for the proposed 2016A Refunding Bonds will be paid from bond proceeds and the repayment source for the 2016A Bonds will be limited to tax increment revenues generated in the Project Areas, which are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund ("RPTTF"). The proposed 2016A Bonds will not be a debt of the City of Lancaster.

All costs of issuance for the proposed 2016B Refunding Bonds will be paid from bond proceeds and the repayment source for the 2016B Bonds will be limited to tax increment revenues generated in the Project Areas, which are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund ("RPTTF"). The proposed 2016B Bonds will not be a debt of the City of Lancaster.

The Resolution provides that the 2016A Bonds and the 2016B Bonds may be combined into a single series of bonds if, in the opinion of an Authorized Officer, utilizing one series of bonds is beneficial to the transactions contemplated hereby. The Resolution also provides that the 2016B Bonds will not be issued unless and until each of the school districts has consented to the issuance of the bonds.

The Resolution authorizes the issuance of the bonds and approves the documents necessary to initiate the transaction. The Oversight Board will consider this action at its next regular meeting on November 17, 2015, with their action subject to California State Department of Finance review and approval. Staff will return to the Board with additional documents for approval following said State approval.

Summary of Documents:
2016A Indenture of Trust – this document defines the security for the 2016A Bonds as well as the payment terms and conditions and established the funds and accounts that will be held by the Trustee, US Bank National Association, on behalf of the Successor Agency, including the Debt Service Reserve Account.

2016B Indenture of Trust – this document defines the security for the 2016B Bonds as well as the payment terms and conditions and established the funds and accounts that will be held by the Trustee, US Bank National Association, on behalf of the Successor Agency, including the Debt Service Reserve Account.

BB:ps

Attachments:
Resolution No. SA 10-15
2016A Indenture of Trust
2016B Indenture of Trust