

**STAFF REPORT**  
**Lancaster Successor Agency**

SA NB 1
12/13/16
MVB

Date: December 13, 2016

To: Chairman Parris and Board Members

From: Pamela Statsmann, Acting Finance Director

Subject: **Adopt Resolution Authorizing the Issuance and Sale of Tax Allocation Refunding Bonds and Approving the Form of Related Bond Documents**

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**Recommendation:**

Adopt **Resolution No. SA 09-16**, authorizing the issuance and sale of Successor Agency to the Lancaster Redevelopment Agency Tax Allocation Refunding Bonds, in one or more series; approving the form of an Indenture of Trust, Preliminary Official Statement, Bond Purchase Contract, Continuing Disclosure Agreement, Escrow Agreement, and related documents and authorizing certain other actions in connection with the refunding.

**Fiscal Impact:**

The refunding of the previously issued 2003 (all or a portion) and 2009 Housing Programs Bonds will result in a decrease in annual debt service payments, without extending the current maturity dates of the bonds being refunded. It is estimated the 2003 and 2009 bond refundings will generate an overall gross savings of approximately \$20 million through their remaining maturity of August 1, 2039.

**Background:**

In May 2003, the former Lancaster Redevelopment Agency (former RDA) issued its Combined Redevelopment Project Areas (Housing Programs) Subordinate Tax Allocation Refunding Bonds, Issue of 2003 (the “2003 Bonds”). In August 2009, the former RDA issued its Combined Redevelopment Project Areas (Housing Programs) Tax Allocation Bonds, Issue of 2009 (the “2009 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 2003 & 2009 Bonds indicates that the two bond issues can be refunded 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.

All costs of issuance for the proposed 2017 Bonds will be paid from bond proceeds, and the repayment source for the 2017 Bonds will be limited to tax increment revenues generated in the redevelopment project areas (the "Project Areas"), which are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund ("RPTTF"). The proposed 2017 Bonds will not be a debt of the City of Lancaster.

The Resolution authorizes the issuance of the bonds and approves the documents necessary to complete the transaction. The Oversight Board will consider this action at its next meeting, with their action subject to California State Department of Finance review and approval.

**Summary of Documents:**

1. Indenture of Trust - this document defines the payment terms and conditions of the 2017 Bonds and establishes the funds and accounts that will be held by the Trustee, U.S. Bank National Association, on behalf of the Successor Agency, including the debt service Reserve Accounts.
2. Preliminary Official Statement – this is the offering document that will be presented to potential investors in the 2017 Bonds, and includes information about the Successor Agency, the Project Areas, and the tax revenues of the Project Areas, as well as a summary of the terms and payment obligations of the Successor Agency for the 2017 Bonds and information regarding the risks of investing in the 2017 Bonds.
3. Bond Purchase Contract - this document provides the terms and conditions by which the Underwriter, Hilltop Securities, Inc., will purchase the 2017 Bonds. By selling the Bonds on a negotiated basis to the Underwriter, the Successor Agency will save an estimated \$20,000 of expenses that would otherwise be spent for costs associated with an advertised public sale of the Bonds.
4. Continuing Disclosure Agreement - the Continuing Disclosure Agreement defines the Successor Agency's obligation to provide annual updates of information related to the Project Areas and the tax increment revenues, for the benefit of the Bondholders and other interested parties, pursuant to federal regulations.
5. Escrow Agreement – this document defines the terms and conditions necessary to defease and redeem all or a portion of the outstanding 2003 Bonds and all of the outstanding 2009 Bonds from the net proceeds of the 2017 Bonds, with U.S. Bank National Association acting as the Escrow Bank.

**Attachments:**

Resolution No. SA 09-16

The following forms are on file with the City Clerk:

- Indenture of Trust
- Preliminary Official Statement
- Bond Purchase Contract
- Continuing Disclosure Agreement
- Escrow Agreement