

Oakland Oversight Board

Memorandum

TO: Oakland Oversight Board

FROM: Katano Kasaine

SUBJECT: 2013 Oakland Central District Subordinated Tax Allocation Refunding Bonds

DATE: June 17, 2013

ITEM: #4

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 Area.

Staff recommends refunding of the Prior Bonds to achieve debt service savings as permitted by Health and Safety Code Section 34177.5. Tax-exempt interest rates are at historic low, 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.

Refunding the Prior Bonds will reduce the annual debt service payments as reflected on the Recognized Obligation Payment Schedule (ROPS), which would produce savings to the taxing entities. On average, the annual debt service savings on the Prior Bonds is estimated to be \$1.23 million through 2022. This savings will be reflected in the residual Redevelopment Property Tax Trust Fund ("RPTTF") funds that are distributed to the taxing entities.

The Oakland Redevelopment Successor Agency (ORSA) approved a resolution authorizing the refunding of the Series 2003 Bonds and Series 2005 Bonds on June 4, 2013. Therefore, Staff is recommending the Oversight Board approve the proposed resolution approving the issuance of refunding bonds by ORSA. Oversight Board approval of the resolution will be subject to review and approval by the California Department of Finance. The Department has five days from Oversight Board approval to request review of the action, and may extend the standard 40-day review period to 60 days for the refunding.

OUTCOME

Issuing the Series 2013 Bonds will fully refund the Series 2003 Bonds and Series 2005 Bonds, resulting in annual debt service reduction and an increase in the amount of residual RPTTF funds paid to the taxing entities. The reduction is anticipated to be reflected on the January-June 2014, ROPS 13-14B.

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

Date	Action
	•
June 4, 2013	• ORSA board approval
June 18, 2013	• Oversight Board Meeting to approve action by ORSA
June 18, 2013	• Start of possible 65-day Department of Finance Review Period
July 18, 2013	• End of 30-day challenge period
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

BACKGROUND

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 debt 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 follow-up legislation 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 to provide savings to the successor 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.

ANALYSIS

Refunding Structure

In an effort to find ways to reduce existing annual debt service obligations to ORSA, Staff has been reviewing refunding opportunities on all of 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. Based on market conditions on May 2, 2013, savings for the refunding of the Series 2003 Bonds and Series 2005 are 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. The refunding is anticipated to generate on average \$1.23 million in annual debt service savings through 2022, thereby increasing the amount of residual RPTTF paid to the taxing entities.

ORSA intends to issue the Oakland Redevelopment Successor Agency Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013 Bonds (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 with final maturity in 9/1/2022. 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 funds collected by the county auditor-controller with respect to ORSA, which is equivalent to the tax increment revenues that were formally collected pursuant to Redevelopment Law to be used for financing redevelopment projects.

Financing Team

Due to the complexity and timing of the refunding, Staff has gone through an extensive request for proposals (RFP) process to put together a team of financial and legal experts to work on all aspects of the financing in order to meet the time line. All fees associated with this financing will be paid from bond proceeds.

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.

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

Respectfully submitted,

/s/

KATANO KASAINÉ
Treasurer, Treasury Division

Reviewed by:
David Jones, Principal Financial Analyst
Treasury Division

Prepared by:
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Treasury Division

OAKLAND OVERSIGHT BOARD

RESOLUTION No. 2013-_____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, APPROVING THE ISSUANCE OF REFUNDING BONDS BY THE OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

WHEREAS, the Redevelopment Agency of the City of Oakland (the "Redevelopment Agency" or "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") 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 Oakland Redevelopment Successor Agency ("ORSA") has determined that it is in the best financial interests of the ORSA and the taxing entities to refund, at this time, the Series 2003 Bonds and/or the Series 2005 Bonds; and

WHEREAS, the ORSA intends to refund the Series 2003 Bonds and/or the Series 2005 Bonds by issuing an additional series of bonds designated as "Oakland Redevelopment Successor Agency Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013 (the "Series 2013 Bonds"); and

WHEREAS, the issuance of the Series 2013 Bonds will produce debt service savings, thereby increasing the amount of property taxes paid to the taxing entities;

Based on the foregoing recitals and the documentation presented to the Oakland Oversight Board at a public meeting, the Oakland Oversight Board does resolve as follows:

SECTION 1. The Oakland Oversight Board finds and determines that the proposed issuance of the Series 2013 Bonds will be of benefit to the taxing entities for the reasons set forth above and in the staff report accompanying this Resolution.

SECTION 2. Except for review and approval by the California Department of Finance, 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 ORSA of the Series 2013 Bonds exist, have happened and been performed in due time, form and manner, in accordance with applicable law, and ORSA 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 Series 2013 Bonds in the manner and form provided by ORSA resolution.

SECTION 3. The Oakland Oversight Board hereby approves ORSA's issuance of the Series 2013 Bonds.

ADOPTED, OAKLAND, CALIFORNIA, _____, 2013

PASSED BY THE FOLLOWING VOTE:

AYES- CARSON, GERARD, LEVIN, ORTIZ, QUAN, SMITH, TUCKER

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
SECRETARY, OAKLAND
OVERSIGHT BOARD