



# 2014 Tax Allocation Bonds Refinancing

City of San Leandro Successor Agency

*June 16, 2014*



# Tax Allocation Bonds Refunding Support City Goals

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- **Place the City on a firm foundation for long-term fiscal accountability**
- **Maintain and support a strong positive relationship between the City and educational community**

# Background – Dissolution of Redevelopment Agencies

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- **AB 1X 26 and AB 1X 27 were enacted on June 29, 2011**
  - Under AB 1X 26, as of February 1, 2012, all redevelopment agencies were dissolved
  - AB 1X 27 was invalidated by the California Supreme Court
- **AB 1484 was enacted on June 27, 2012 and provided further clarification on dissolution**
- **Tax increment revenues generated by the Agency’s project areas are deposited into a County held Redevelopment Property Tax Trust Fund (“RPTTF”) on behalf of the Successor Agency “(Agency)”**

## Background – Dissolution of Redevelopment Agencies (Cont.)



- **On January 2 and June 1 of each year, monies from the RPTTF are transferred to the Agency to the extent required to make payments on items listed in the Agency’s Recognized Obligation Payment Schedule (“ROPS”)**
  - Before each six-month period, the Agency must prepare, approve and submit to its Oversight Board a ROPS that covers all enforceable obligations due during that period
  - The Agency anticipates timely submittal of all future ROPS and covenants in the Indenture to take all steps necessary in the future to ensure payment of the 2014 Bonds and all other parity debt on a timely basis
- **Pursuant to AB 1X 26 and AB 1484, any bonds authorized to be issued by the Agency under AB 1X 26 and AB 1484 are considered indebtedness incurred by the dissolved Former Agency with the same legal effect (and pledge of tax increment) as if the bonds had been issued prior to AB 1X 26 and will be included on the Agency’s ROPs**



# Outstanding Tax Allocation Bonds

| Series Name  | Issue Size      | Delivery Date | Final Maturity | Outstanding Par | Next Call Date     | Refunding Status |                 |                |
|--|-----------------|---------------|----------------|-----------------|--------------------|------------------|-----------------|----------------|
|  |                 |               |                |                 |                    | Advance          | Current         | Non-Callable   |
| <i>Tax Allocation Bonds (numbers in \$ millions)</i> |                 |               |                |                 |                    |                  |                 |                |
| Series 2002  | 15.935          | 12/5/02       | 9/1/32         | 11.080          | Currently Callable | -                | 11.080          | -              |
| Series 2004  | 5.500           | 6/16/04       | 9/1/34         | 4.850           | Currently Callable | -                | 4.850           | -              |
| Series 2008  | 27.530          | 7/24/08       | 9/1/38         | 25.195          | 9/1/2018           | 22.215           | -               | 2.980          |
| <b>TOTAL</b>   | <b>\$48.965</b> |               |                | <b>\$41.125</b> |                    | <b>\$22.215</b>  | <b>\$15.930</b> | <b>\$2.980</b> |



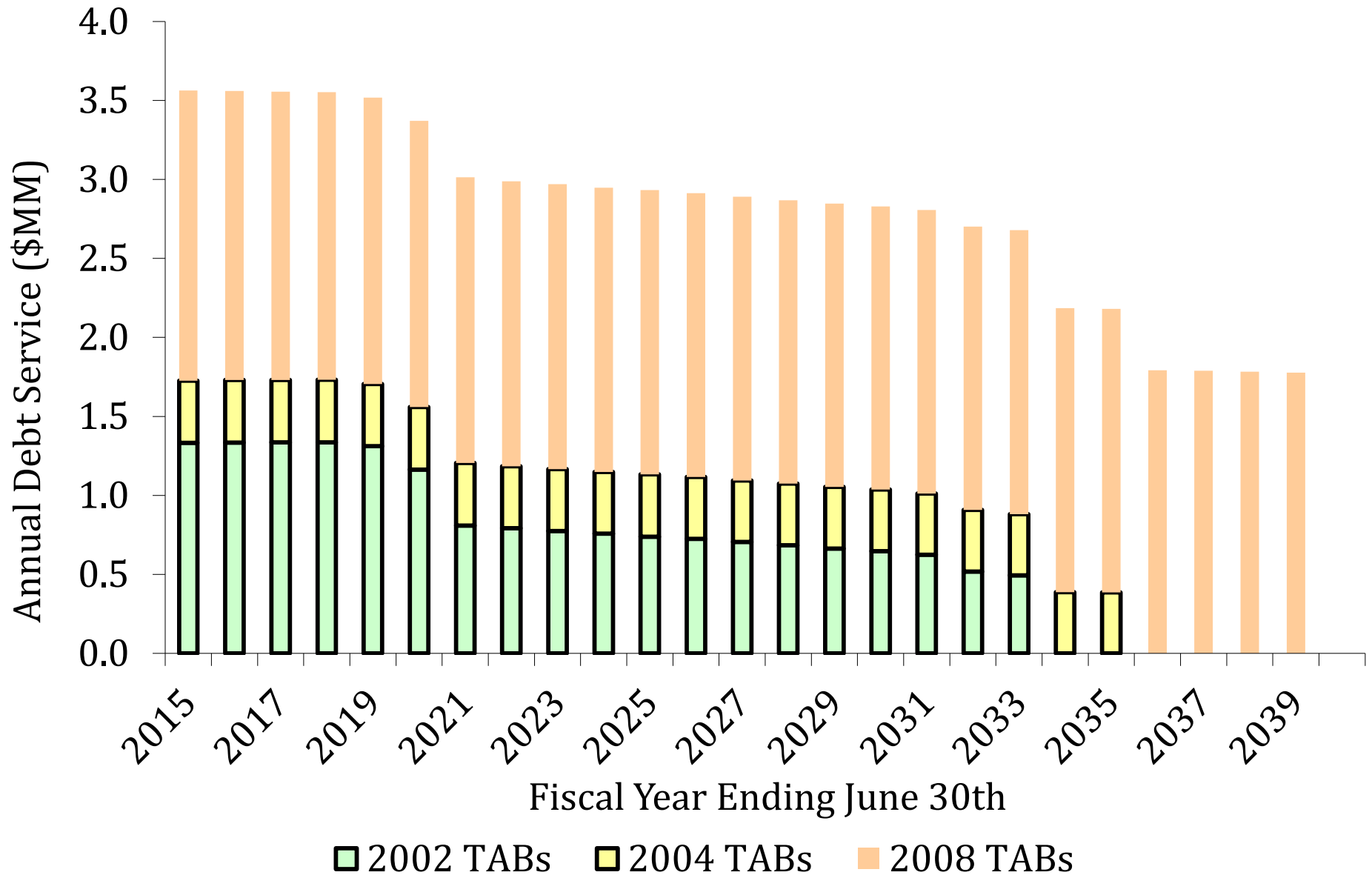
# Refinancing Success

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- **2013 Lease Revenue Refunding Bonds – April 2013**
- \$ 1.68 million Total Refinancing Savings
  
- **2014 Tax Allocation Bonds – October 2014 (expected)**
- \$3.4 million Total Refinancing Savings
- \$408,000 Total Benefit to City's General Fund



# Tax Allocation Bonds Debt Service





# Summary of Series 2014 Refunding

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- **Full refunding of Series 2002 TABs**
  - Callable anytime at 100%
  - \$10.375 million will be refunded
  - Serial bonds due 9/1/2015-2032
  - 5.40%-6.00% coupons
  
- **Full refunding of Series 2004 TABs**
  - Callable anytime at 100%
  - \$4.720 million will be refunded
  - Serial bonds due 9/1/2015-2034
  - 5.25%-5.75% coupon
  
- **In total, \$15.095 million will be refunded**





# Sources and Uses of Funds

## Issuance Assumptions

|                           |               |
|---------------------------|---------------|
| Delivery Date             | 10/15/2014    |
| Final Maturity            | 9/1/2034      |
| Series 2014 Refunding Par | \$ 13,355,000 |
| Series 2002 Par Refunded  | 10,375,000    |
| Series 2004 Par Refunded  | 4,720,000     |

## Estimated Sources and Uses

### **Sources:**

|                          |               |
|--------------------------|---------------|
| Par Amount               | \$ 13,355,000 |
| Original Issue Premium   | 673,887       |
| 2002 Escrow Fund Release | 1,427,880     |
| 2002 DSRF Release        | 1,130,063     |
| 2004 DSRF Release        | 400,817       |

**Total Sources:** \$ 16,987,647

### **Uses:**

|                           |               |
|---------------------------|---------------|
| Escrow Deposit            | \$ 15,270,965 |
| Debt Service Reserve Fund | 1,275,406     |
| Costs of Issuance         | 369,321       |
| Underwriter's Discount    | 71,955        |

**Total Uses:** \$ 16,987,647



# Aggregate Debt Service Savings Analysis

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- **The combined refunding generates an estimated \$3.40 million in total savings, representing \$1.45 million net present value savings (9.62% of refunded principal)**
  
- **2014 refunding structured for accelerated savings by series**
  - 2002 TABs generate estimated annual savings of \$930,000 in FY16-18
  - 2004 TABs generate estimated annual savings of \$135,000 in FY16-17
  
- **Accelerated savings structure generates annual savings of \$930,000 to \$1.10 million in FY2016 through FY2018, basically unchanged thereafter**
  - City's share (12% of total) is estimated to average \$120,000 per year in FY2016 through FY2018, approximately \$408,000 in total



# Savings to Public Entities

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- **\$408,000**      **City Savings**
- **\$1,564,000**      **School District Savings**
- **\$850,000**      **County Savings**
- **\$578,000**      **Special District Savings**
- **\$3,400,000**      **Total**



# Aggregate Debt Service Savings

| FYE<br>June 30 <sup>th</sup> | Refunded<br>Debt Service | 2014 TABs<br>Debt Service | Estimated<br>Yield | Gross<br>Savings    | City's<br>Share (12%) |
|------------------------------|--------------------------|---------------------------|--------------------|---------------------|-----------------------|
| 2015                         | \$ 434,505               | \$ 238,888                | -                  | \$ 195,617          | \$ 23,474             |
| 2016                         | 1,730,220                | 632,350                   | 1.00%              | 1,097,870           | 131,744               |
| 2017                         | 1,730,685                | 696,213                   | 1.24%              | 1,034,473           | 124,137               |
| 2018                         | 1,732,190                | 801,138                   | 1.62%              | 931,053             | 111,726               |
| 2019                         | 1,705,205                | 1,624,138                 | 2.01%              | 81,068              | 9,728                 |
| 2020                         | 1,559,130                | 1,553,575                 | 2.40%              | 5,555               | 667                   |
| 2021                         | 1,204,630                | 1,202,100                 | 2.76%              | 2,530               | 304                   |
| 2022                         | 1,183,634                | 1,178,738                 | 3.12%              | 4,897               | 588                   |
| 2023                         | 1,166,396                | 1,164,275                 | 3.42%              | 2,121               | 255                   |
| 2024                         | 1,148,029                | 1,143,575                 | 3.70%              | 4,454               | 534                   |
| 2025                         | 1,133,343                | 1,131,500                 | 3.81%              | 1,843               | 221                   |
| 2026                         | 1,117,071                | 1,112,913                 | 3.92%              | 4,159               | 499                   |
| 2027                         | 1,094,270                | 1,089,375                 | 4.14%              | 4,895               | 587                   |
| 2028                         | 1,075,058                | 1,071,275                 | 4.23%              | 3,783               | 454                   |
| 2029                         | 1,054,285                | 1,051,513                 | 4.32%              | 2,773               | 333                   |
| 2030                         | 1,036,581                | 1,034,963                 | 4.41%              | 1,619               | 194                   |
| 2031                         | 1,012,063                | 1,006,675                 | 4.75%              | 5,388               | 647                   |
| 2032                         | 908,488                  | 903,538                   | 4.75%              | 4,951               | 594                   |
| 2033                         | 881,006                  | 876,638                   | 4.75%              | 4,369               | 524                   |
| 2034                         | 386,769                  | 384,975                   | 4.75%              | 1,794               | 215                   |
| 2035                         | 385,781                  | 383,438                   | 4.75%              | 2,344               | 281                   |
| <b>Total</b>                 | <b>\$ 23,679,339</b>     | <b>\$ 20,281,788</b>      |                    | <b>\$ 3,397,551</b> | <b>\$ 407,706</b>     |

# Breakdown of Debt Service Savings – 2002 and 2004 TABs



| FYE<br>June<br>30 <sup>th</sup> | Refunded<br>2002 Debt<br>Service | Allocated<br>2014 TABs<br>Debt Service | 2002 TABs<br>Savings | Refunded<br>2004 Debt<br>Service | Allocated<br>2014 TABs<br>Debt Service | 2004 TABs<br>Savings | Aggregate<br>Savings |
|---------------------------------|----------------------------------|--|----------------------|----------------------------------|--|----------------------|----------------------|
| 2015                            | \$ 304,349                       | \$ 153,551                             | \$ 150,798           | \$ 130,156                       | \$ 85,337                              | \$ 44,819            | \$ 195,617           |
| 2016                            | 1,333,583                        | 406,458                                | 927,125              | 396,638                          | 225,893                                | 170,745              | 1,097,870            |
| 2017                            | 1,336,348                        | 406,458                                | 929,890              | 394,338                          | 289,755                                | 104,583              | 1,034,473            |
| 2018                            | 1,335,430                        | 406,458                                | 928,973              | 396,760                          | 394,680                                | 2,080                | 931,053              |
| 2019                            | 1,311,478                        | 1,232,445                              | 79,033               | 393,728                          | 391,693                                | 2,035                | 81,068               |
| 2020                            | 1,163,903                        | 1,163,140                              | 763                  | 395,228                          | 390,435                                | 4,793                | 5,555                |
| 2021                            | 808,503                          | 808,373                                | 130                  | 396,128                          | 393,728                                | 2,400                | 2,530                |
| 2022                            | 792,135                          | 792,120                                | 15                   | 391,499                          | 386,618                                | 4,881                | 4,896                |
| 2023                            | 775,063                          | 774,290                                | 773                  | 391,334                          | 389,985                                | 1,349                | 2,121                |
| 2024                            | 757,395                          | 756,883                                | 513                  | 390,634                          | 386,693                                | 3,941                | 4,454                |
| 2025                            | 739,133                          | 738,870                                | 263                  | 394,210                          | 392,630                                | 1,580                | 1,843                |
| 2026                            | 725,126                          | 725,115                                | 11                   | 391,945                          | 387,798                                | 4,148                | 4,159                |
| 2027                            | 705,250                          | 704,918                                | 333                  | 389,020                          | 384,458                                | 4,563                | 4,895                |
| 2028                            | 684,650                          | 683,698                                | 953                  | 390,408                          | 387,578                                | 2,830                | 3,783                |
| 2029                            | 663,450                          | 662,720                                | 730                  | 390,835                          | 388,793                                | 2,043                | 2,773                |
| 2030                            | 646,500                          | 645,856                                | 644                  | 390,081                          | 389,106                                | 975                  | 1,619                |
| 2031                            | 623,800                          | 621,138                                | 2,663                | 388,263                          | 385,538                                | 2,725                | 5,388                |
| 2032                            | 518,050                          | 517,513                                | 538                  | 390,438                          | 386,025                                | 4,413                | 4,950                |
| 2033                            | 494,400                          | 490,800                                | 3,600                | 386,606                          | 385,838                                | 769                  | 4,369                |
| 2034                            | -                                | -                                      | -                    | 386,769                          | 384,975                                | 1,794                | 1,794                |
| 2035                            | -                                | -                                      | -                    | 385,781                          | 383,438                                | 2,344                | 2,344                |
| <b>Total</b>                    | <b>\$15,718,543</b>              | <b>\$ 12,690,799</b>                   | <b>\$3,027,743</b>   | <b>\$7,960,795</b>               | <b>\$7,590,988</b>                     | <b>\$ 369,807</b>    | <b>\$3,397,551</b>   |



# Timeline

| Date             | Item   |
|------------------|--|
| Monday, June 16  | Successor Agency meeting to approve Resolution authorizing 2014 Refunding Bonds and related bond documents |
| Week of June 23  | Submit documents to Department of Finance for approval   |
| Week of Aug. 11  | Credit presentation to Standard & Poor's   |
| Week of Sept. 1  | Deadline to receive Department of Finance approval   |
| Week of Sept. 1  | Receive S&P rating   |
| Week of Sept. 15 | Price 2014 Refunding Bonds   |
| Week of Oct. 13  | Close 2014 Refunding Bonds   |