



City of La Quinta

CITY / SA / HA / FA MEETING DATE: March 18, 2014
ITEM TITLE: RESOLUTION APPROVING ISSUANCE
AND SALE OF SUBORDINATE TAX ALLOCATION
REFUNDING BONDS

AGENDA CATEGORY:
BUSINESS SESSION: 1
CONSENT CALENDAR:
STUDY SESSION:
PUBLIC HEARING:

RECOMMENDED ACTION:

Adopt a Resolution authorizing the issuance of Tax Allocation Refunding Bonds by the Successor Agency to the La Quinta Redevelopment Agency in the approximate amount of \$72,375,000 to be issued as 2014 Series A Bonds and authorizing certain actions in connection therewith.

EXECUTIVE SUMMARY:

- The Financing Authority previously issued \$90,000,000 in Local Agency Revenue Bonds, 2004 Series A (the "2004 Bonds"). The 2004 Bonds are currently outstanding in the amount of \$75,480,000 and were not included in the 2013 refunding bond program due to Federal Tax Law considerations.
- The 2004 Bonds are not subject to optional call and redemption until September 1, 2014; therefore, under the Federal Tax Law, the 2004 Bonds cannot be refinanced before June 2, 2014 (a current refunding).
- Refinancing the 2004 Bonds will require State Department of Finance approval and must allow up to 60 days for their review process.
- Current market conditions, although not back to May 2013 levels, have steadily improved over the past 8 months.

FISCAL IMPACT:

The overall estimated debt service savings of approximately \$386,000 annually or \$8.1 million over the 21-year remaining life is calculated after all costs associated with the issuance of the refunding bonds have been paid. These costs have been

conservatively estimated at \$947,638, which includes underwriter's discount, bond insurance, reserve surety bond fee, and legal and consultant costs.

BACKGROUND/ANALYSIS:

Starting in 1985, the former La Quinta Redevelopment Agency (RDA) issued tax allocation bonds to raise capital to invest in infrastructure, public facility, economic development and affordable housing initiatives. Bond debt service payments are funded by property tax revenue. When the RDA was eliminated in February 2012, the Successor Agency to the RDA assumed responsibility to ensure these debt service payments are made. These payments are classified as enforceable obligations and are tracked on the Recognized Obligation Payment Schedule (ROPS), with payments authorized twice annually.

The California Health and Safety Code authorizes the Successor Agency to refinance outstanding bonds and other obligations of the RDA. Additionally, the costs related to refunding proceedings can be recovered. Upon review, it has been determined that refinancing is in the best interest of the Successor Agency and that the statutory prerequisites can be met if the refinancing is approved. Final approval authority resides with the Oversight Board and the Department of Finance.

On December 23, 2013, the Successor Agency successfully issued La Quinta Redevelopment Project Area (PA) Nos. 1 and 2, Subordinate Tax Allocation Refunding Bonds consisting of \$97,190,000 2013 Series A and \$23,055,000 2013 Taxable Series B. These two series of bonds refinanced the RDA's 1998 PA 1 Bonds, 1998 PA 2 Bonds, 2001 Bonds, 2002 Bonds and 2003 Bonds.

The 2013 refunding bond program resulted in annual debt service savings of more than \$555,000 per year with overall savings of \$10,650,000 after paying all costs associated with the refunding bond program.

The current economic environment provides the Successor Agency with an opportunity to lower the costs of annual debt service again by refinancing the 2004 Bonds, which would result in an increase in property tax revenue allocations to all taxing agencies.

Interest rates on the 2014 refunding bonds are estimated to range from 3% to 5% with resulting yields ranging from 0.35% to 4.50%. Current interest rates on the 2004 Bonds being refunded range from 5% to 5.25%.

In summary, refinancing the 2004 Bonds will create a surplus that would bring the City some relief in repayment of recognized obligations, if needed. The \$8.1 million projected savings over 21 years, if unencumbered by recognized obligations, will benefit the taxing agencies with approximately \$5.05 million going to schools,

\$1.8 million to Riverside County, \$580,000 to the Coachella Valley Water District, \$425,000 to the City, and \$225,000 to recreation and parks.

ALTERNATIVES:

As not refinancing the 2004 Bonds would result in not reducing annual debt service costs, staff does not recommend an alternative.

Report prepared by: Amy McCormick, Business Analyst

Report approved for submission by: Frank J. Spevacek, Executive Director

Attachments: Please see the Council report on this same matter. It is agenda item Business 3.

RESOLUTION NO. SA 2014 -

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY AUTHORIZING THE ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS, APPROVING THE FORM OF AN INDENTURE OF TRUST, OFFICIAL STATEMENT, BOND PURCHASE CONTRACT, CONTINUING DISCLOSURE AGREEMENT, FORM OF ESCROW AGREEMENT, AND RELATED DOCUMENTS AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the La Quinta Redevelopment Agency (the "Prior Agency") was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the "Law"), and the powers of the Prior Agency included the power to issue Bonds for any of its corporate purposes; and

WHEREAS, a Redevelopment Plan for a redevelopment project known and designated as the "La Quinta Redevelopment Project Area No. 1" has been adopted and approved by Ordinance No. 43 of the City of La Quinta on November 29, 1983, and all requirements of the Law for and precedent to the adoption and approval of the Project Area No. 1 Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, a Redevelopment Plan for a redevelopment project known and designated as the "La Quinta Redevelopment Project Area No. 2" has been adopted and approved by Ordinance No. 139 of the City of La Quinta on May 16, 1989, and all requirements of the Law for and precedent to the adoption and approval of the Project No. 2 Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the La Quinta Financing Authority (the "Authority") on behalf of the Prior Agency has previously issued \$90,000,000 La Quinta Financing Authority, Local Agency Revenue Bonds, 2004 Series A (the "2004 Housing Bonds") and loaned the proceeds to the Prior Agency pursuant to the terms of a Loan Agreement dated February 3, 2004, as supplemented by a First Supplemental Loan Agreement, dated as of June 1, 2004 (the "Loan Obligation"); and

WHEREAS, the Prior Agency has previously issued \$6,000,000 La Quinta Redevelopment Agency, La Quinta Redevelopment Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011 (the "2011 Project Area No. 2 Taxable Bonds"); and

WHEREAS, the Authority on behalf of the Prior Agency has previously issued \$28,850,000 La Quinta Financing Authority, Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (the "2011 Taxable Housing Bonds") and loaned the proceeds to the Prior Agency pursuant to the terms of a loan agreement dated February 3, 2004 and a Second Supplemental Loan Agreement, dated as of March 1, 2011 (the "2011 Loan Obligation"); and

WHEREAS, the Successor Agency has previously issued \$97,190,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Series A (the "2013 Series A Bonds") and \$23,055,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B (the "2013 Taxable Series B" and collectively, the "2013 Bonds"); and

WHEREAS, the Successor Agency has determined that it is cost effective and efficient to refund and defease the Loan Obligation in connection with the 2004 Housing Bonds (collectively, the "Refunded Bonds") on a senior basis to the 2011 Project Area No. 2 Taxable Bonds, the 2011 Loan Obligation and the 2013 Bonds (collectively, the "Subordinate Bonds"); and

WHEREAS, for the corporate purposes of the Successor Agency, the Successor Agency deems it necessary to issue at this time tax allocation refunding bonds in a total principal amount of approximately seventy two million three hundred seventy five thousand dollars (\$72,375,000), and to irrevocably set aside a portion of the proceeds of such Bonds in a separate segregated trust fund which will be used to refund the outstanding Refunded Bonds of the Authority, to pay costs in connection with the issuance of the Bonds, and to make certain other deposits as required by the Indenture (defined herein); and

WHEREAS, Assembly Bill AB X1 26, effective June 29, 2011, together with Assembly Bill 1484 ("AB 1484") (collectively, the "Dissolution Act") resulted in the La Quinta Redevelopment Agency being dissolved as of February 1, 2012; and
WHEREAS, the authority, rights, powers, assets, duties and obligations of the Prior Agency were transferred on February 1, 2012 to the Successor Agency; and

WHEREAS, AB1484 specifically authorizes the issuance of refunding bonds by the Successor Agency to refund the bonds or other indebtedness of the Prior Agency to provide savings to the Successor Agency, provided that (A) the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds shall not exceed the total remaining interest cost to maturity on the bonds to be refunded plus the remaining principal of the bonds to be refunded, and (B) the principal amount of the refunding bonds shall not exceed the amount required to defease the refunded bonds, to establish customary debt service reserves, and to pay related costs of issuance; and

WHEREAS, the Successor Agency desires to issue its La Quinta Redevelopment Project Areas No. 1 and No. 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A (the "Bonds") pursuant to the Indenture of Trust, by and between the Successor Agency and U.S. Bank National Association, dated as of March 1, 2014 (the "Indenture") for the purpose of refunding the Refunded Bonds, to fund a debt service reserve account and pay costs of issuance; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium (if any) thereon, the Successor Agency will have duly authorized the execution and delivery of the Indenture; and

WHEREAS, the Successor Agency certifies that all acts and proceedings required by law necessary to make the Bonds, when executed by the Successor Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Successor Agency, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

WHEREAS, the Board of Directors of the Successor Agency to the La Quinta Redevelopment Agency wishes at this time to approve all matters relating to the issuance and sale of the Bonds;

NOW, THEREFORE, BE IT RESOLVED by the Successor Agency to the La Quinta Redevelopment Agency, as follows:

SECTION 1. The Indenture of Trust, by and between the Successor Agency and U.S. Bank National Association, dated as of March 1, 2014, in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein (the "Indenture"), is hereby approved. The Chair and the Secretary of the

Successor Agency are hereby authorized and directed to execute and deliver the Indenture in the form presented at this meeting with such changes insertions and omissions as may be requested by Bond Counsel and approved by the Chair, said execution being conclusive evidence of such approval.

SECTION 2. Subject to the provisions of the Indenture referred to in Section 1 hereof, the issuance of the Bonds in the approximate aggregate principal amount of one seventy two million three hundred seventy five thousand dollars (\$72,375,000) on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture, is hereby authorized and approved. The Bonds will be dated, will bear interest at the rates, will mature on the dates, will be issued in the form, will be subject to redemption, and will be as otherwise provided in the Indenture, as the same will be completed as provided in this Resolution. The proceeds of the sale of the Bonds shall be applied as provided in the Indenture.

SECTION 3. The Bond Purchase Contract (the "Bond Purchase Contract") between the Successor Agency and Southwest Securities, Inc. (the "Underwriter"), in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, is hereby approved. The Executive Director of the Successor Agency is hereby authorized and directed to execute the Bond Purchase Contract in the form presented at this meeting with such changes, insertions and omissions as may be approved by the Executive Director, said execution being conclusive evidence of such approval; provided, however, that the Bond Purchase Contract shall be signed only if the terms of the agreement are such that (i) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, (ii) the principal amount of the Bonds will not exceed the amount required to finance the refunding of the Refunded Bonds and including establishing a customary debt service reserve fund and paying related costs of issuance, (iii) the Underwriter's Discount not including original issue discount, shall not exceed 0.600 percent (0.600%) of the par value of the Bonds; and (iv) the net present value savings amount generated from the issuance of the Bonds, expressed as a percentage of the aggregate principal amount of the Refunded Bonds, will be at least 3.00%.

SECTION 4. The Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement"), in the form presented and on file with the Secretary, is hereby approved. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to cause the Preliminary Official Statement in substantially said form, with such additions or changes therein as the Executive Director may approve, to be deemed final for the purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934 ("Rule 15c2-12"). The Underwriter is hereby authorized to distribute the Preliminary

Official Statement to prospective purchasers of the Bonds in substantially the form hereby approved, together with such additions thereto and changes therein as are determined necessary by the Executive Director to make the Preliminary Official Statement final as of its date for purposes of Rule 15c2-12, including, but not limited to, such additions and changes as are necessary to make all information set forth therein accurate and not misleading.

SECTION 5. The preparation and delivery of an Official Statement, and its use by the Successor Agency and the Underwriter, in connection with the offering and sale of the Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be requested by Bond Counsel or the Underwriter and approved by the Chair of the Successor Agency, such approval to be conclusively evidenced by the execution and delivery thereof. The Executive Director is hereby authorized and directed to execute the final Official Statement and any amendment or supplement thereto, in the name of and on behalf of the Successor Agency, and thereupon to cause the final Official Statement and any such amendment or supplement to be delivered to the Underwriter.

SECTION 6. The form of the Continuing Disclosure Agreement in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, is hereby approved. The Executive Director of the Successor Agency is hereby authorized and directed to execute and deliver the Continuing Disclosure Agreement(s) in the form presented at this meeting with such changes insertions and omissions as may be requested by Bond Counsel and approved by the Chair, said execution being conclusive evidence of such approval.

SECTION 7. The form of the Escrow Agreement, by and among the Successor Agency, the Authority and U.S. Bank National Association, dated as of March 1, 2014, in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, is hereby approved. The Executive Director and the Secretary of the Successor Agency are hereby authorized and directed to execute and deliver the Escrow Agreement relating to the Refunded Bonds in the general form presented at this meeting with such changes insertions and omissions as may be requested by Bond Counsel and approved by the Executive Director, said execution being conclusive evidence of such approval.

SECTION 8. The Chair of the Successor Agency, the Executive Director of the Successor Agency, the Secretary of the Successor Agency, and any other proper officer of the Successor Agency, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments, relating to the Bonds and to do and cause to be done any and all acts

and things necessary or proper for carrying out the transactions contemplated by the Indenture, the Bond Purchase Contract, the Preliminary Official Statement, the Continuing Disclosure Agreement, the Escrow Agreement, this Resolution and any such agreements.

SECTION 9. U.S. Bank National Association is hereby appointed as Trustee and Escrow Bank, Rutan & Tucker, LLP is hereby appointed as Bond Counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation is hereby appointed as Disclosure Counsel. Harrell & Company Advisors is hereby appointed as Financial Advisor and the Executive Director of the Successor Agency is authorized to execute contracts for any or all such services pursuant to proposals on file with the Executive Director, and Willdan Financial Services is hereby appointed as Dissemination Agent and the Executive Director of the Successor Agency is authorized to execute contracts for any or all such services pursuant to proposals on file with the Executive Director.

SECTION 10. The Successor Agency is hereby authorized to recover its costs of issuance with respect to the Bonds, including staff time and costs.

SECTION 11. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, and ADOPTED at a regular meeting of the Successor Agency to the La Quinta Redevelopment Agency held on this 18th day of March, 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

DON ADOLPH, Mayor
City of La Quinta Acting as Successor
Agency to the La Quinta Redevelopment
Agency

ATTEST:

SUSAN MAYSELS, Secretary
City of La Quinta Acting as Successor Agency
To the La Quinta Redevelopment Agency

(CITY SEAL)

APPROVED AS TO FORM:

M. KATHERINE JENSON, Successor Agency Counsel
City of La Quinta Acting as Successor Agency
To the La Quinta Redevelopment Agency