

**OVERSIGHT BOARD TO THE SUCCESSOR AGENCY
OF THE WEST COVINA
REDEVELOPMENT AGENCY**

A G E N D A

West Covina City Hall
City Hall Council Chambers
1444 West Garvey Avenue, West Covina, CA 91790

**THURSDAY, JUNE 16, 2016
4:00 p.m.**

Carrie A. Sutkin, Chairperson
Luzmaria Chavez, Board Member
Robert R. Coghlan, Board Member
Mike Gregoryk, Board Member
Kelly McDonald, Board Member
David Stewart, Board Member

AMERICANS WITH DISABILITIES ACT

The Board complies with the Americans with Disabilities Act (ADA). If you will need special assistance at Board Meetings, please call (626) 939-8433 (voice) or (626) 960-4422 (TTY) from 8 to 5 Monday through Thursday, at least 48 hours prior to the meeting to make arrangements.

AGENDA MATERIAL

Agenda material is available for review at the West Covina City Clerk's Office, Room 317 in City Hall, 1444 W. Garvey Avenue South and at www.westcovina.org. Any writings or documents regarding any item on this agenda not exempt from public disclosure, provided to a majority of the Oversight Board that is distributed less than 72 hours, before the meeting, will be made available for public inspection in the City Clerk's Office, Room 317 of City Hall during normal business hours.

PUBLIC COMMENT

Any member of the public may address the Board on items within the Board's subject matter jurisdiction during Public Comments. The Board may not take action on matters not listed on the posted agenda. If you would like to address the Board, please complete a Speaker Card and submit to the Board Secretary. All comments are limited to five (5) minutes per speaker. All speakers shall observe decorum and order as specified in the *Rules of Procedure of the Oversight Board to the Successor Agency of the West Covina Redevelopment Agency*.

REGULAR MEETING
AGENDA
Thursday, June 16, 2016
4:00 p.m.

I. CALL TO ORDER

A. Roll Call

Carrie A. Sutkin, Chairperson
Luzmaria Chavez, Board member
Robert R. Coghlan, Board Member
Mike Gregoryk, Board member
Kelly McDonald, Board Member
David Stewart, Board Member

B. Pledge of Allegiance

II. CHANGES TO THE AGENDA

III. PUBLIC COMMENT

This is the time set aside for public comments. Please step forward to the podium and state your name and city of residence for the record when recognized by the Chairperson. Comments are limited to five (5) minutes per speaker.

IV. CONSENT CALENDAR

All matters listed on the CONSENT CALENDAR are considered to be routine and can be acted on by one roll call vote. There will be no separate discussion of these items unless members of the Oversight Board request a specific item to be removed from the Consent Calendar for separate discussion or action.

A. Commencement of a Refunding of Certain Bonds

Recommendation

It is recommended that the Oversight Board to the Successor Agency of the Former West Covina Redevelopment Agency adopt the following resolution:

RESOLUTION NO. OB-0048 – A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE FORMER WEST COVINA REDEVELOPMENT AGENCY, DIRECTING THE COMMENCEMENT OF A REFUNDING OF CERTAIN BONDS

V. BOARD MEMBERS' COMMENTS

VI. ADJOURNMENT

Copies of staff reports or other written documentation, *if any*, relating to each item of business described above are on file in the West Covina City Hall, City Clerk's Office, 1444 West Garvey Avenue, West Covina CA 91790, and are available for public inspection upon request during regular business hours of 8:00 a.m. to 5:30 p.m., Monday through Thursday.

Should any person have a question concerning any of the above agenda items prior to the meeting described herein, he or she may contact Paulina Morales, Economic Development & Housing Manager, either in person in the Community Development Commission Office at West Covina City Hall, 1444 West Garvey Avenue, West Covina, CA 91790, or by calling via telephone at (626) 939-8417 during regular business hours.

**OVERSIGHT BOARD TO THE SUCCESSOR AGENCY
OF THE WEST COVINA REDEVELOPMENT AGENCY**

AGENDA REPORT

Item No. IV-A

Date: June 16, 2016

TO: Chairperson and Board Members of the Oversight Board to the Successor Agency of the West Covina Redevelopment Agency

FROM: Chris Freeland, Executive Director

BY: Christa Buhagiar, Finance Director

SUBJECT: RESOLUTION NO. OB-0048 – A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE FORMER WEST COVINA REDEVELOPMENT AGENCY, DIRECTING THE COMMENCEMENT OF A REFUNDING OF CERTAIN BONDS

RECOMMENDED ACTION:

It is recommended that the Oversight Board to the Successor Agency of the Former West Covina Redevelopment Agency adopt the following resolution directing the Successor Agency to undertake proceedings for the refunding of its 1998 Housing Set-Aside Tax Allocation Bonds (Series A and Series B), 2001 Housing Set-Aside Tax Allocation Revenue Bond, and Tax Allocation Revenue Refunding Bonds, Series 2002, through participation in the County of Los Angeles Redevelopment Bond Refunding Program (Program):

RESOLUTION NO. OB-0048 – A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE FORMER WEST COVINA REDEVELOPMENT AGENCY, DIRECTING THE COMMENCEMENT OF A REFUNDING OF CERTAIN BONDS

BACKGROUND:

Effective February 1, 2012, pursuant to Assembly Bill x1 26 (AB 26), redevelopment agencies throughout the State were abolished and prohibited from engaging in future redevelopment activities. AB 26 enabled the formation of Successor Agencies (SA's), which have the responsibility of winding down outstanding obligations of the former redevelopment agencies.

On June 27, 2012, the State passed Assembly Bill 1484 (AB 1484), which included provisions permitting SA's to refund outstanding bonds or other obligations of a former redevelopment agency to achieve savings. A large number of SA's have since refunded their existing redevelopment bonds to provide savings to taxing entities.

The County of Los Angeles has developed a Program to assist SA's located within the County in refinancing their outstanding redevelopment bonds in an efficient and cost-effective manner. Refunding the former Redevelopment Agency's bonds through this program will reduce costs and the burden on City staff.

DISCUSSION:

The former Redevelopment Agency of the City of West Covina (Former Agency) issued \$4,945,000 of 1998 Housing Set-Aside Tax Allocation Bonds Series A, (Series 1998A) and \$1,200,000 of 1998 Housing Set-Aside Tax Allocation Bonds, Series B (Series 1998B) to fund, among other things, eligible costs of the Executive Lodge Project, a multifamily housing project within the West Covina Project Areas. In 2001, the Former Agency issued \$11,275,000 of Housing Set-Aside Tax Allocation Revenue Bonds (Series 2001) to fund, among other obligations, eligible costs of an 85-unit senior housing complex and the implementation of certain low and moderate income housing programs within the West Covina Project Areas. In addition to these bonds secured by housing set-aside, in 2002 the Former Agency issued \$12,200,000 of Tax Allocation Revenue Refunding Bonds (Series 2002 bonds) to fund, among other things, the prepayment of the outstanding balance of the Agency's 1993 Loans and refund the outstanding West Covina Public Financing Authority's 1993 Revenue Bonds. The 1993 obligations were issued to pay for the construction of Fire Station No. 2 as well as the seismic upgrade, asbestos removal and building upgrades to the City owned (former Chamber of Commerce) building located at 811 S. Sunset.

These previously issued bonds (Prior Bonds) are currently outstanding in the amount of \$16,040,000, and have a final term of 2031 with existing interest rates ranging from 4.75% to 7.00%. Based on today's interest rates, the Prior Bonds could be refunded to the same term at interest rates ranging from 0.72% to 3.45%. At current rates, the refunding bonds (Refunding Bonds) would produce annual savings averaging about \$421,000. Total savings would be about \$4.5 million, or about \$1.8 million on a present value basis, representing over 12% of the refunded par amount of bonds. These savings will increase the amount of "residual" property tax available to be redistributed to other taxing entities, including West Covina, based on their proportionate share of the 1% property tax levy.

The potential savings from the refunding are summarized below.

Name of Bond(s) Refunded	Average Annual Savings	Total Savings	Total NPV Savings
Series 1998A	\$67,000	\$601,000	\$202,000
Series 1998B	\$25,000	\$228,000	\$108,000
Series 2001	\$125,000	\$1,875,000	\$812,000
Series 2002	\$204,000	\$1,833,000	\$659,000

One additional bond issue will be considered for refunding. In 1999, the West Covina Public Financing Authority issued \$3,945,000 of Taxable Variable Rate Demand Tax Allocation Bonds, the proceeds of which were used to fund a loan to the Former Agency (1999 Obligation), which loan proceeds were used to finance certain redevelopment projects of the Former Agency. Because these bonds bear a variable interest rate, there are factors besides interest savings that merit refunding these bonds with fixed rate bonds, including elimination of interest rate risk, letter of credit fees, and the costs and risks associated with renewing the letter of credit every few years. With the assistance of the County's financing team and the Successor Agency's Financial

years. With the assistance of the County's financing team and the Successor Agency's Financial Advisor, the Successor Agency is currently working on the cost savings analysis. If it can be determined that a fixed rate refunding of the 1999 Obligation can meet the State law requirements for refunding, it will be included in the 2016 refunding transaction, as well.

The refunding bonds will be sold through a pooled financing structure with the County of Los Angeles Bond Refunding Authority serving as the issuer of bonds to the capital markets. Bonds issued under the Program may be sold in one or more series depending on the number of participating successor agencies and the various credit and financing characteristics of the refunded bonds. The Program offers SA participants the following benefits:

- County Assistance - The County will lead the effort to prepare all legal documents and Official Statements, solicit credit ratings and market the bonds.
- Department of Finance Approval – The County will take the lead in seeking approval of the refunding transactions from the California Department of Finance (DOF). The Program has been assigned dedicated staffing by DOF that will streamline the approval process required under AB 1484.
- Continuing Disclosure - The County will assume substantial responsibility for continuing disclosure related to the Refunding Bonds.
- Efficient Procurement Process - The County has put together a team of financial and legal experts to work on all aspects of the financing process.
- Enhanced Financing Structure - The Program will feature structural enhancements that improve the marketability of the Refunding Bonds and increase savings to local taxing entities.

Upon formally joining the Program, the County will begin the process to draft finance documents for review and approval from the Successor Agency Board, Oversight Board, and the Department of Finance. The schedule below outlines the financing milestones associated with the 2016 Refunding.

Tentative Financing Schedule:

June 2016	Governing Board Authorizes Successor Agency to Pursue Financing, Oversight Board Approves Opt-In Resolution
August- September 2016	Successor Agency Approves Financing, Oversight Board Approves Financing
November 2016	DOF Approves Financing, County Board Approves Financing
November/December 2016	Credit Presentation/Receive Rating
December 2016	County Sells Tax Allocation Revenue Refunding Bonds
December 2016/January 2017	Close
March 2017	Redeem Bonds

FISCAL IMPACT:

If the Refunding Bonds were issued under current market conditions, the refinancing will reduce existing debt payments by about \$4.5 million over the life of the Refunding Bonds, which will increase the "residual" property tax distribution to all taxing entities. Present value savings would be about \$1.8 million. The City will receive a share of this savings as a residual distribution from the Redevelopment Property Tax Trust Fund. Based on its most recent ROPS distribution, the City will receive approximately 16% of the total savings generated from the Refunding Bonds. This would produce additional general fund revenue of about \$48,000 annually (or a total savings of \$726,000). All costs of the refinancing will be paid on a contingent basis from the bond proceeds. The refinance will also save staff time since there are less bonds to administer, and the County will assume substantial responsibility for continuing disclosure related to the Refunding Bonds.

If the refinancing, as directed by the Oversight Board, does not proceed for any reason, any costs already incurred by the SA will be submitted for reimbursement on the next ROPS, and shall not count against any administrative cost allowance of the SA as such allowance is defined in the Health & Safety Code Section 34171(b).

Prepared by:



Christa Buhagiar
Finance Director

RESOLUTION NO. OB-0048

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE FORMER WEST COVINA REDEVELOPMENT AGENCY, DIRECTING THE COMMENCEMENT OF A REFUNDING OF CERTAIN BONDS

WHEREAS, California Assembly Bill No. 26 (First Extraordinary Session) (“AB1X 26”) adopted on June 29, 2011, dissolved all redevelopment agencies and community development agencies in existence in the State of California, as of February 1, 2012, and designated “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies;

WHEREAS, Assembly Bill No. 1484, a follow up on bill AB1X 26, was enacted on June 27, 2012, and provides a mechanism to refund tax allocation bonds under certain circumstances;

WHEREAS, pursuant to California Health and Safety Code Section 34173(d), the City of West Covina is the successor agency (the “Successor Agency”) to the dissolved West Covina Redevelopment Agency (“Agency”), confirmed by Resolution No. [2012-1] adopted by the City of West Covina on [January 10, 2012];

WHEREAS, Health and Safety Code Section 34179(a) provides that each successor agency shall have an oversight board composed of seven members;

WHEREAS, the Successor Agency has duly established such oversight board (the “Oversight Board”) pursuant to Health and Safety Code Section 34179(a);

WHEREAS, the Oversight Board, pursuant to Health and Safety Code Section 34177.5(f), may direct the Successor Agency to issue bonds to refund the bonds of its former redevelopment agency to provide debt service savings to the Successor Agency;

WHEREAS, an oversight board may only direct such a refunding so long as the successor agency is able to recover its related costs in connection with the transaction;

WHEREAS, the recovery of such costs in connection with such a refunding transaction shall be supplemental to, and not constrained by, the administrative cost allowance as such allowance is defined in Health and Safety Code Section 34171(b);

WHEREAS, the Oversight Board is informed by the Successor Agency that in 1998, the Agency issued its 1998 Housing Set-Aside Tax Allocation Bonds (Executive Lodge Project), Series A in the aggregate principal amount of \$4,945,000 and Series B in the aggregate principal amount of \$1,200,000 (together, the “1998 Bonds”), which bonds are subject to optional redemption on any date at a redemption price equal to the outstanding principal amount thereof, plus interest due thereon to the date fixed for redemption, without premium;

WHEREAS, the Oversight Board is informed by the Successor Agency that in 2001, the Agency issued its 2001 Housing Set-Aside Tax Allocation Revenue Bonds, Series 2001 (the “2001 Bonds”) in the aggregate principal amount of \$11,275,000, which bonds are subject to optional redemption on any date at a redemption price equal to the outstanding principal amount thereof, plus interest due thereon to the date fixed for redemption, without premium;

WHEREAS, the Oversight Board is informed by the Successor Agency that in 2002, the Agency issued its 2002 Tax Allocation Revenue Refunding Bonds, Series 2002 (the “2002 Bonds”, and together with the 1998 Bonds and the 2001 Bonds, the “Prior Bonds”) in the aggregate principal amount of \$12,200,000, which bonds are subject to optional redemption on any Interest Payment Date at a redemption price equal to the outstanding principal amount thereof, plus interest due thereon to the date fixed for redemption, without premium;

WHEREAS, the Successor Agency, has indicated that there are potential debt service savings that can be achieved through a refinancing of the Prior Bonds, and the Oversight Board now wishes to direct the Successor Agency to prepare for the refunding of all or a portion of the Prior Bonds, and such other bonds or indebtedness of the Agency as may be hereafter identified, to achieve debt service savings; and

WHEREAS, the County of Los Angeles (the “County”), a political subdivision of the State of California and taxing entity recipient of property tax revenues, represented by voting membership on this Oversight Board, has developed a program (the “Refunding Program”) to assist successor agencies within the County to refund tax allocation bonds pursuant to AB 1484 in order to provide debt service savings to the Successor Agency, efficiencies in issuance and cost of issuance savings;

NOW THEREFORE, THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE FORMER WEST COVINA REDEVELOPMENT AGENCY HEREBY RESOLVES:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Request for Refunding. Pursuant to Health and Safety Code Section 34177.5(f), the Oversight Board hereby requests the Successor Agency to prepare to issue bonds (the “Refunding Bonds”), which bonds may be sold to a joint powers authority pursuant to the Marks-Roos Local Bond Pooling Act (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code) following a determination by the Successor Agency to participate in the Refunding Program, to refund all or a portion of the Prior Bonds and such other bonds or indebtedness of the Agency as may be hereafter identified; provided that this request shall not offer any assurance that bonds will be sold by the issuer under the Refunding Program to refund all or any portion of the Prior Bonds. The Successor Agency is further requested to return to the Oversight Board, once the refunding legal documents have been prepared, for approval of the refunding pursuant to Health and Safety Code Section 34180(b).

Section 3. Recovery of Costs. The Oversight Board hereby authorizes and approves the Successor Agency to recover reasonable related costs incurred in connection with this transaction. The Successor Agency may recover such costs from the proceeds of the Refunding Bonds or, if the Successor Agency is not able to issue its bonds or the issuer under the Refunding Program is not able to issue its bonds relating to the Successor Agency, by including such costs in a future Recognized Obligation Payment Schedule. The recovery of such costs shall be in addition to and shall not count against any administrative cost allowance of the Successor Agency as such allowance is defined in Health and Safety Code Section 34171(b).

Section 4. Severability. If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The Oversight Board declares that the Oversight Board would have adopted this Resolution irrespective of the invalidity of any particular portion of this Resolution.

Section 5. Effective Date. Pursuant to Health and Safety Code Section 34179(h), all actions taken by the Oversight Board may be reviewed by the California Department of Finance (the "Department") and, therefore, this Resolution shall be effective five (5) business days after notice to the Department unless the Department requests a review of the actions taken in this Resolution, in which case this Resolution will be effective upon approval by the Department.

APPROVED AND ADOPTED on this 16th day of June, 2016

Carrie A. Sutkin, Chairperson
Oversight Board to the Successor Agency to
the former West Covina Redevelopment
Agency

ATTEST:

Rosalia Conde, Secretary
Oversight Board to the Successor Agency to
the former West Covina Redevelopment
Agency