

Lompoc City Council Agenda Item
Lompoc Redevelopment Agency Agenda Item
Lompoc Public Financing Authority Agenda Item



City Council Meeting Date: June 1, 2010

TO: Laurel M. Barcelona, City Administrator, Agency and Authority Executive Director

FROM: Brad Wilkie, Management Services/Finance Director, Agency and Authority Treasurer
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SUBJECT: Actions and Authorizations Necessary to Issue Tax Allocation Bonds, Series 2010

RECOMMENDATION

Staff recommends that the City Council, Redevelopment Agency Board and Public Financing Authority Board approve the following items:

City Council:

The City Council adopt Resolution No. 5643(10) which provides the City's approvals of the issuance by the Redevelopment Agency of its Tax Allocation Bonds, Series 2010 (2010 Bonds).

Lompoc Redevelopment Agency:

The Redevelopment Agency Board adopt Resolution 10-141 which provides for the approval of the necessary documents and for the issuance and sale of the 2010 Bonds.

Lompoc Public Financing Authority:

The Public Financing Authority Board adopt Resolution 10-11 which provides for the approval and execution of a purchase contract for the 2010 Bonds.

BACKGROUND

The actions before the City Council, the Board of the Lompoc Redevelopment Agency and the Board of the Lompoc Financing Authority will result in the issuance and sale of the Tax Allocation Bonds, Series 2010. There will be a lot of activity in the next 60 days getting the

construction contracts awarded and this financing in place. The advertisement of bids for the Richard L. DeWees Senior Community Center began last week. A request for qualifications has been issued for the equipment necessary for the Aquatic Center Dehumidification System and bids are due to the Purchasing Department on May 27.

Since the projects are well under way and a limitation for additional bonds is based on the most recent assessed valuation (AV) available, it is beneficial to the City and the Agency to conclude the financing prior to the end of the current fiscal year to maintain the project schedule. With the actions requested tonight, the schedule for funding the bonds is currently on schedule. The remaining actions for the bond issuance are:

- May 25 – Public notice of intention to sell the bonds
- May 28 – Credit agencies issue their rating for the bonds
- June 1 – City, Agency and Authority approve bond sale
- June 1 – Agency approval of debt proceeds account with LAIF
- June 2 – Preliminary Offering Circular (POS) is released
- June 10 – Bond sale, bids received, sale awarded
- June 23 – Pre-closing of bond
- June 24 – Closing – proceeds deposited to the City's project fund

The maximum bond size recommended for approval is \$8,500,000. Even if market conditions are favorable at the time of the sale, the actions taken tonight will limit the maximum bond size to \$8,500,000. However, the Agency may sell fewer bonds than the maximum approved amount while still providing adequate proceeds for the projects. At this time, staff and the City's financial advisors are planning for a net increment to debt service coverage ratio of no less than 1.5 to allow for flexibility in both the future debt service levels and to provide an adequate net tax increment (after debt service) for ongoing operations of the Agency. Based on the 2010-2011 anticipated tax increment, the Agency will have approximately \$535,000 to provide for administration and funding of ongoing programs in the 2010-2011 fiscal year. This amount should slowly grow as the net tax increment grows over time. The 1.5 bond coverage is greater than the bond covenant minimums (for both the 2004 Bond and the 2010 Bond). This limits the maximum amount available that can be borrowed and provides a level of protection to bondholders in the event of unanticipated declines in the future. In analyzing the Agency's overall assessed valuation, it appears that there is adequate room for growth in undervalued properties to sustain the moderate growth factors included in the projections of tax increment revenues. The 1.5 bond coverage is expected to provide an approximate 7% cushion in the event the current estimates of

costs are low. In addition, if the current estimates of costs are high, the additional proceeds will allow for the funding of additional capital projects allowable under the Agency's Implementation Plan guidelines.

At this point a little history about the Lompoc Public Financing Authority may be helpful. On February 26, 1992 the City Council in conjunction with the Lompoc Redevelopment Agency formed a Joint Powers Agency for the purpose of issuing the 1992 Water and Wastewater Revenue Bonds, Series A. On June 23, 1998, the City Council, in conjunction with the Lompoc Redevelopment Agency, modified the 1992 Resolution in two areas. First, it renamed the Authority to the "Lompoc Public Financing Authority". Second, it amended and restated Resolution 4140(92) so that the Authority could be used to facilitate the 1998 sale of Water and Wastewater Revenue Bonds and ***other future public capital improvements financing in addition to those relating to the City's municipal water and wastewater system.*** Since 1998, the Financing Authority was used to facilitate the 2004 Aquatic Center Revenue Bond sale and again in 2006 for the 2005 and 2007 Water and Wastewater Revenue Bond sales.

If necessary to facilitate a "negotiated sale," the Authority resolution requested for approval tonight will provide the authority to execute a negotiated sale. At this time it is anticipated that the Agency will issue the bonds through a competitive bid process and will therefore not need the flexibility the Authority provides. The related documents provide a methodology to determine whether, at the time of the sale of the bonds, a negotiated sale would be favorable compared with a competitive sale. To restate, the Authority resolution will provide the City and the Agency with flexibility to assure the best available financial terms at the time of the bond sale. No additional approvals will be required of the Council/Boards to complete the bond sale.

FISCAL IMPACT

Lompoc Redevelopment Agency - The amount of Tax Increment currently proposed to finance the Senior Community Center and the Aquatic Center Projects is not expected to exceed \$8,500,000 in project costs plus underwriting and issuance costs, a debt service reserve fund. The debt will be amortized over a period of thirty years, with principal and interest paid by the Agency semiannually. Total debt service is expected to be no more than \$17,623,500 over the thirty-year period. The Agency will secure this debt by pledging future Tax Increment as security. If approved by the Agency Board, the Agency will sell the bonds directly by

competitive bid or the Agency shall enter into a purchase agreement with the Lompoc Public Financing Authority, which shall sell the bonds if the sale is done by negotiated sale.

The recommended 1.5 coverage factor is a conservative point that allows for the funding of the two proposed projects while providing for adequate ongoing funding for the Agency for annual operations.

DISCUSSION

City Resolution

Passage of the following resolution will provide the City's approval of the issuance of the 2010 Bonds by the Redevelopment Agency. Redevelopment law requires that the Redevelopment Agency obtain the approval of the City Council prior to the issuance of the 2010 Bonds.

Resolution No. 5643(10)

This resolution approves the issuance and sale by the Lompoc Redevelopment Agency of the 2010 Bonds in the maximum principal amount of \$8,500,000.

Agency Resolution

Passage of the following resolution will provide the Redevelopment Agency's approval of the sale and issuance of the 2010 Bonds and the related financing documents and make its findings necessary to issue the 2010 Bonds:

Resolution 10-141

This resolution authorizes the sale and issuance of the 2010 Bonds, provides for the approval and execution of the required documents for the bond issuance (primarily, the Indenture of Trust and the Official Statement) and authorizes staff to determine whether to sell the 2010 Bonds pursuant to a competitive sale or a negotiated sale in order to produce the lowest true interest cost on the 2010 Bonds. The resolution also authorizes staff to take certain actions necessary to complete the sale and issuance of the 2010 Bonds.

Authority Resolution

Passage of the following resolution will provide the Financing Authority's approval of the 2010 Bond issuance and its participation in the sale of the 2010 Bonds if it is determined that the 2010 Bonds will be sold by negotiated sale:

Resolution 10-11

This resolution authorizes the Authority to purchase the 2010 Bonds from the Agency and to sell the 2010 Bonds to the Underwriter, if it is determined to sell the 2010 Bonds through a negotiated sale. This method will be used only if it is deemed to produce a lower true interest cost to the Agency than a competitive sale. The City has historically sold its bonds by competitive sales in the recent past.

CONCLUSION

Since approximately 2008, the City Council and the Redevelopment Agency have conducted joint meetings. This has facilitated several items that require actions of both governing bodies. However, as the Lompoc Public Financing Agency meets only as necessary, this particular meeting was called to order for all three of the bodies.

The members acting as the **City, Agency** and **Authority** governing boards can then act on the three resolutions presented either jointly or individually.

In accordance with the above suggested procedural steps, staff is recommending that each body approve their respective resolutions as indicated in the recommendation section above in one motion.

The City's Financial Advisor, Dan Cox, Vice President, KNN Public Finance and the City's bond and disclosure counsel, Scott Ferguson of Jones Hall, will be attending the June 1, 2010 meetings and will be available to answer questions.

Brad Wilkie
City Management Services/Finance Director
Agency Treasurer
Authority Treasurer

**APPROVED FOR SUBMITTAL TO CITY COUNCIL,
LOMPOC REDEVELOPMENT AGENCY BOARD and
LOMPOC PUBLIC FINANCING AUTHORITY BOARD**

Laurel M. Barcelona
City Administrator
Agency Executive Director
Authority Executive Director

Attachments:

[City Council Resolution No. 5643\(10\)](#)
[Redevelopment Agency Resolution 10-141](#)
[Public Financing Authority Resolution 10-11](#)