

MEMORANDUM

TO: Successor Agency to the Redevelopment Agency of the City of Pomona

FROM: Urban Futures, Inc.
Michael Busch, CEO
Doug Anderson, Director

DATE: June 5, 2018

RE: Independent Municipal Advisor's Report: Debt Service Savings Analysis for Successor Agency to the Redevelopment Agency of the City of Pomona, 2018 Tax Allocation Refunding Bonds, Series BI

Background

The Successor Agency to the Redevelopment Agency of the City of Pomona (the "Agency") is authorized under Section 34177.5 of the State Health and Safety Code to issue refunding tax allocation bonds ("TABs") for economic savings within the parameters set forth in Section 34177.5(a)(1) of the State Health and Safety Code (the "Savings Parameters"). In addition, Section 34177.5 of the State Health and Safety Code provides, in relevant part, that the Agency "...shall make use of an independent financial advisor in developing financing proposals and shall make the work products of the financial advisor available to the Department of Finance at its request." (State Health & Safety Code Section 34177.5(h), effective 6/27/12) Urban Futures, Inc., has been retained by the Agency to serve as its independent municipal advisor to determine compliance with the Savings Parameters for purposes of the issuance by the Agency of its 2018 Tax Allocation Refunding Bonds, Series BI ("2018 TABS").

This report in draft form may be used in presentations to the Agency Board and Oversight Board but will be final only after the pricing of the 2018 TABS and verification of final debt service savings. The 2018 TABS will be issued for the purpose of prepaying and defeasing certain loan agreements, which will cause the redemption and defeasance of related outstanding bonds (the "Prior Obligations", attached as Exhibit A).

Plan of Refunding

The Agency has selected B.C. Ziegler and Company (the "Underwriter") to structure and negotiate the refunding of the Prior Obligations. The financing goal is to maximize economic savings by reducing total debt service.

The City of Pomona's Debt Policy, approved by the City Council on April 3, 2017, states that the City will generally seek to achieve debt service savings which, on a net present value basis, are at least 3% of the debt being refinanced. Based on market conditions as of 5/29/18, the Underwriter projects the refunding of the Prior Obligations with proceeds of the 2018 TABS will achieve a Net PV savings of approximately \$7.0 million, or 5.11% of refunded par, as shown in Table 3. The Underwriter's estimates assume the use of bond insurance and a surety policy for the debt service reserve requirement. The savings generated

from this refunding are anticipated to result in higher property tax distributions to the City of Pomona and other taxing entities in the future.

Refunding Results

Table 1 below shows the estimated sources and uses for the 2018 TABs.

Table 1: Sources and Uses of Funds		
Sources:		
Par Amount	\$	132,160,000
Original Issue Discount		(1,655,061)
	\$	130,504,939
Reserve Account Release	\$	10,231,288
Total Sources of Funds	\$	140,736,227
Uses:		
Refunding Escrow Deposits		
Cash Deposit	\$	138,439,448
Costs of Issuance		354,908
Underwriter's Discount		651,548
Bond Insurance		1,038,559
Surety Policy		251,764
Total Uses of Funds	\$	140,736,227

Tables 2 and 3 below show estimated nominal debt service savings and Net PV savings based on market conditions as of 5/29/2018.

Table 2: Est. Debt Service Savings

Fiscal Year	Existing Payments	Est. New Payments	Savings
2019	10,285,463	9,083,016	1,202,447
2020	13,525,429	11,941,919	1,583,510
2021	13,416,508	11,846,356	1,570,152
2022	13,374,368	11,808,806	1,565,562
2023	13,123,510	11,585,838	1,537,672
2024	13,119,274	11,582,500	1,536,774
2025	13,068,170	11,540,981	1,527,189
2026	13,098,416	11,566,700	1,531,716
2027	13,074,518	11,546,400	1,528,118
2028	12,988,086	11,470,225	1,517,861
2029	12,992,106	11,468,788	1,523,319
2030	12,735,869	11,244,600	1,491,269
2031	12,706,081	11,216,600	1,489,481
2032	10,108,066	8,924,400	1,183,666
2033	5,797,513	5,118,000	679,513
2034	3,215,715	2,841,000	374,715
2035	1,565,600	1,382,800	182,800
2036	1,486,100	1,314,000	172,100
2037	1,392,600	1,231,200	161,400
2038	1,380,475	1,220,000	160,475
2039	1,381,525	1,217,600	163,925
2040	1,380,050	1,218,600	161,450
2041	821,050	722,800	98,250
Totals	196,036,492	173,093,129	22,943,363

Table 3: Net PV Savings Summary	
PV of savings from cash flow	\$ 17,228,683
Less: Prior funds on hand	\$ - 10,231,288
Plus: Refunding funds on hand	\$ --
Net PV Savings	\$ 6,997,395
Net PV Savings as % of Refunded Par	5.11%

Proposed Refunding Complies With State Law

Based on the 2018 TABS proposed structure and the projected debt service savings according to numbers prepared by the Underwriter, Urban Futures, Inc. concludes that the 2018 TABS comply with the Savings Parameters as described below.

A. Total debt service (principal and interest) on the refunding bonds is less than total debt service on the refunded bonds (sec. 34177.5(a)(1)(A)): Section 34177.5(a)(1)(A) requires that the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded. Table 2 shows projected total nominal debt service savings from the refunding of the 2008 Bonds of \$22.9 million, calculated as (i) total debt service on the Prior Obligations, minus (ii) total debt service on the 2018 TABS. Net PV savings is projected to be \$7.0 million or 5.11% of total refunded par, which is above the minimum City guideline of 3% of refunded par.

B. Refunding bonds principal shall be used only for refunding purposes, not for new-money (sec. 34177.5(a) (1)(B)): Section 34177.5(a)(1)(B) requires that the principal amount of the refunding bonds or other indebtedness shall not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance. Table 1 is the projected sources and uses of funds for the 2018 TABS, showing that all proceeds are used only for purposes associated with refunding the 2008 Bonds and to pay related costs of issuance. No proceeds of the 2018 TABS will be used for any other purposes, including new-money purposes.

C. Agency shall make diligent efforts to ensure lowest long-term cost financing is obtained, to structure refunding that does not provide for any bullets or spikes or variable rates, and shall hire an independent financial advisor (sec. 34177.5(h)): Section 34177.5(h) requires the Agency to make diligent efforts to ensure that the lowest long-term cost financing is obtained and that the financing not provide for any bullets or spikes or use variable rates. The Agency has retained Urban Futures, Inc., an independent financial advisor registered with the SEC and MSRB, to monitor the pricing of the 2018 TABS. In order to achieve the lowest long-term cost of financing, the financing team is anticipating releasing additional cash from the reserve account into the escrow for the 2008 Bonds and replacing the cash with a surety policy to satisfy the Reserve Requirement.

In accordance with Section 34177.5(h), the proposed refunding structure does not provide for any bullet principal maturities, debt service spikes or variable rate debt.

EXHIBIT A

PRIOR OBLIGATIONS

1. Third Amended Loan Agreement, dated as of March 1, 1998, by and among the Former RDA, the Pomona Public Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as successor to BNY Western Trust Company; Loan Payments under such agreement secure payment of the Pomona Public Financing Authority 1998 Refunding Revenue Bonds, Series W (Southwest Pomona Redevelopment Project).
2. Merged Redevelopment Project Loan Agreement, dated as of April 1, 2001, by and among the Former RDA, the Authority and The Bank of New York Mellon Trust Company, N.A., as successor to BNY Western Trust Company; Loan Payments under such agreement secure payment of the Pomona Public Financing Authority 2001 Revenue Bonds, Series AD (Merged Redevelopment Project).
3. Merged Redevelopment Project Loan Agreement, dated as of November 1, 2003, by and among the Former RDA, the Authority and The Bank of New York Mellon Trust Company, N.A., as successor to BNY Western Trust Company; Loan Payments under such agreement secure payment of the Pomona Public Financing Authority 2003 Revenue Bonds, Series AH (Merged Redevelopment Project).
4. Merged Redevelopment Project Housing Loan Agreement, dated as of December 1, 2005, by and among the Former RDA, the Authority and The Bank of New York Mellon Trust Company, N.A., as successor to The Bank of New York Trust Company, N.A.; Loan Payments under such agreement secure payment of the Pomona Public Financing Authority 2005 Taxable Housing Tax Revenue Bonds, Series AQ (Merged Redevelopment Project).
5. Merged Redevelopment Project Loan Agreement, dated as of December 1, 2006, by and among the Former RDA, the Authority and The Bank of New York Mellon Trust Company, N.A., as successor to The Bank of New York Trust Company, N.A.; Loan Payments under such agreement secure payment of the Pomona Public Financing Authority 2006 Revenue Bonds, Series AS (Merged Redevelopment Project).
6. Merged Redevelopment Project Loan Agreement, dated as of December 1, 2006, by and among the Former RDA, the Authority and The Bank of New York Mellon Trust Company, N.A., as successor to The Bank of New York Trust Company, N.A.; Loan Payments under such agreement secure payment of the Pomona Public Financing Authority 2006 Taxable Revenue Bonds, Series AT (Merged Redevelopment Project).
7. Merged Redevelopment Project Subordinate Loan Agreement, dated as of December 1, 2006, by and among the Former RDA, the Authority and The Bank of New York Mellon Trust Company, N.A., as successor to The Bank of New York Trust Company, N.A.; Loan Payments under such agreement secure payment of the Pomona Public Financing Authority 2006 Subordinate Revenue Bonds, Series AX (Merged Redevelopment Project).
8. Merged Redevelopment Project Subordinate Loan Agreement, dated as of July 1, 2007, by and among the Former RDA, the Authority and The Bank of New York Mellon Trust Company, N.A., as successor to The Bank of New York Trust Company, N.A.; Loan Payments under such agreement secure payment of the Pomona Public Financing Authority 2007 Subordinate Revenue Bonds, Series AW (Merged Redevelopment Project).