



POMONA PUBLIC FINANCING AUTHORITY STAFF REPORT

July 16, 2018

To: Members of the Board of Directors

From: Linda Lowry, Chairperson

By: Onyx Jones, Finance Director

Subject: RESOLUTION OF THE POMONA PUBLIC FINANCING AUTHORITY AUTHORIZING REFUNDING OF CERTAIN BONDS ISSUED IN CONNECTION WITH ACTIVITIES OF THE REDEVELOPMENT AGENCY OF THE CITY OF POMONA AND AUTHORIZING DELIVERY OF CERTAIN DOCUMENTS AND UNDERTAKING OF CERTAIN ACTIONS IN CONNECTION THEREWITH.

OVERVIEW

Recommendation - Approve and adopt the Resolution authorizing prepayment of certain loan agreements and redemption of related bonds; and authorizing certain actions in connection therewith.

Fiscal Impact – Total estimated debt service savings of \$22.9 million to be split among affected taxing entities (including the City’s General Fund); estimated share of total savings to the General Fund is approximately \$7.3 million. Total debt service on the refunded obligations will decrease from current levels by approximately \$1.5 million annually from Fiscal Years 2019 through 2031, and then the annual savings amounts will adjust downward beginning in Fiscal Year 2032 as a portion of the refunded bonds reach final maturity dates, to approximately \$160,000 per year through Fiscal Year 2041. Present value savings of approximately \$5.5 million to the General Fund. Savings achieved through a rate reduction from 5.0% to approximately 3.98% (net interest cost).

Previously Related Action – The Pomona Public Financing Authority (the “Financing Authority”) has previously issued the obligations listed below (collectively, the “Bonds”):

1. Pomona Public Financing Authority 1998 Refunding Revenue Bonds, Series W (Southwest Pomona Redevelopment Project).
 2. Pomona Public Financing Authority 2001 Revenue Bonds, Series AD (Merged Redevelopment Project).
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3. Pomona Public Financing Authority 2003 Revenue Bonds, Series AH (Merged Redevelopment Project).
4. Pomona Public Financing Authority 2005 Taxable Housing Tax Revenue Bonds, Series AQ (Merged Redevelopment Project).
5. Pomona Public Financing Authority 2006 Revenue Bonds, Series AS (Merged Redevelopment Project).
6. Pomona Public Financing Authority 2006 Taxable Revenue Bonds, Series AT (Merged Redevelopment Project).
7. Pomona Public Financing Authority 2006 Subordinate Revenue Bonds, Series AX (Merged Redevelopment Project).
8. Pomona Public Financing Authority 2007 Subordinate Revenue Bonds, Series AW (Merged Redevelopment Project).

EXECUTIVE SUMMARY

The payments of principal and interest on the Bonds described above are secured by certain payments to be made by the Successor Agency to the Redevelopment Agency of the City of Pomona (the “Agency”), pursuant to the related loan agreements (the “Loan Agreements”).

The proposed refunding (the “2018 Bonds”) will prepay and defease the Loan Agreements, and the interest rate differential between the obligations being refunded and the estimated interest rates on the 2018 Bonds will create annual debt service savings. Pursuant to RDA Dissolution Law, the estimated debt service savings will be split among affected taxing entities, including the City’s General Fund.

DISCUSSION

As demonstrated in the Table 1, the estimated debt service payments on the 2018 Bonds will not be extended beyond the current final maturity in Fiscal Year 2041. Based on current market interest rates, the net interest cost of the 2018 Bonds would be approximately 3.98%. The final interest rate structure for the 2018 Bonds will be determined when the bonds are priced, which is expected to occur by the third week of September, 2018.

The 2018 Bonds will be issued with interest rates on a taxable basis. It is possible that a portion of the 2018 Bonds will be issued with tax-exempt interest rates, pending the results of a review by the Agency’s Bond Counsel of the use of net bond proceeds from the Bonds. A determination of the amount, if any, of the 2018 Bonds that will have tax-exempt interest rates will be made upon the conclusion of the review by Bond Counsel.

Table 1

Fiscal	Existing	Est. New		Present Value
Year	Payments	Payments	Savings	Savings
2019	10,285,463	9,083,016	1,202,447	1,185,830
2020	13,525,429	11,941,919	1,583,510	1,519,883
2021	13,416,508	11,846,356	1,570,152	1,446,177
2022	13,374,368	11,808,806	1,565,562	1,383,752
2023	13,123,510	11,585,838	1,537,672	1,304,427
2024	13,119,274	11,582,500	1,536,774	1,250,938
2025	13,068,170	11,540,981	1,527,189	1,192,889
2026	13,098,416	11,566,700	1,531,716	1,147,883
2027	13,074,518	11,546,400	1,528,118	1,098,746
2028	12,988,086	11,470,225	1,517,861	1,047,125
2029	12,992,106	11,468,788	1,523,319	1,008,255
2030	12,735,869	11,244,600	1,491,269	947,022
2031	12,706,081	11,216,600	1,489,481	907,531
2032	10,108,066	8,924,400	1,183,666	692,297
2033	5,797,513	5,118,000	679,513	381,761
2034	3,215,715	2,841,000	374,715	202,281
2035	1,565,600	1,382,800	182,800	94,915
2036	1,486,100	1,314,000	172,100	85,768
2037	1,392,600	1,231,200	161,400	77,196
2038	1,380,475	1,220,000	160,475	73,665
2039	1,381,525	1,217,600	163,925	72,214
2040	1,380,050	1,218,600	161,450	68,256
2041	821,050	722,800	98,250	39,872
Totals	196,036,492	173,093,129	22,943,363	17,228,682

As indicated by Table 1, the proposed issuance of the 2018 Bonds will result in an estimated total debt service savings of \$22,943,363. The net present value savings of approximately \$7.0 million (the \$17.2 million of present value savings shown above less \$10.2 million of funds related to the prior debt that will be used in the refinancing) represents about 5.1% of the amount of debt being refinanced. This compares favorably to the Government Financing Officers Association (GFOA) target of net present value savings of 3% on municipal refundings. The refunding will also meet the parameters outlined in the Pomona Debt Policy, which were approved by the City Council on April 3, 2017. The Pomona Debt Policy is compliant with the new requirements under Senate Bill 1029 (enacted in September 2016 by the State), and conforms with GFOA standards.

The source of repayment of the 2018 Bonds would be net tax revenues generated by the Merged Redevelopment Project, after satisfying certain senior pass through obligations and senior debt service payments (consisting of the 1998 Series X and Y Bonds, which will remain outstanding after issuance of the 2018 Bonds).

Attachments: 1) Resolution
 2) Escrow Agreement