



# CITY OF POMONA SUCCESSOR AGENCY STAFF REPORT

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September 10, 2018

To: Honorable Mayor and Members of the City Council, Sitting as the Successor Agency to the Redevelopment Agency

From: Linda Lowry, City Manager / Agency Executive Director

By: Onyx Jones, Finance Director

**Subject: A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF POMONA APPROVING THE FORM OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE SUCCESSOR AGENCY'S 2018 TAX ALLOCATION REFUNDING BONDS, SERIES BI (FEDERALLY TAXABLE), AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH.**

## OVERVIEW

**Recommendation** - Approve and adopt the Resolution approving the Preliminary Official Statement with regard to the Agency's 2018 tax allocation refunding bonds; and authorizing certain actions in connection therewith.

**Fiscal Impact** – Total estimated debt service savings of \$24.4 million will be split among affected taxing entities (including the City's General Fund); estimated share of total savings to the General Fund is approximately \$7.8 million. Total debt service on the refunded obligations will decrease from current levels by approximately \$1.6 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 \$175,000 per year through Fiscal Year 2041. Present value savings of approximately \$5.8 million to the General Fund. Savings achieved through a rate reduction from 5.0% to approximately 3.98% (net interest cost).

## PREVIOUS RELATED ACTION

On June 18, 2018, the Successor Agency adopted Resolution No. SA 2018-8, approving the issuance of the 2018 Bonds.

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On June 21, 2018, the Successor Agency's Oversight Board adopted Resolution No. OB 2018-09, approving the issuance by the Successor Agency of the 2018 Bonds.

Resolution No. OB 2018-09 was sent to the State Dept. of Finance ("DOF") on June 21, 2018. On June 28, 2018, DOF notified the Agency that it would commence a 60-day review period as allowed by Dissolution Law.

On August 27, 2018, the DOF approved the issuance and sale of 2018 Bonds (Attachment 3 - Department of Finance Approval of Issuance and Sale of 2018 Bonds)

## **EXECUTIVE SUMMARY**

The Redevelopment Agency of the City of Pomona (the "Prior Agency") has previously incurred certain obligations (1998 Series W, 2001 Series AD, 2003 Series AH, 2005 Series AQ, 2006 Series AS, 2006 Series AT, 2006 Series AX, and 2007 Series AW) (collectively, the "Prior Obligations"). Based on current low market interest rates, and with the approval of the Successor Agency's Oversight Board and the State Dept. of Finance, the Successor Agency (the "Agency") may refund the Prior Obligations to provide annual debt service savings. Additional prior bonds (1998 Series X & Y) are not able to be refunded at this time and will remain outstanding. Approving the proposed Resolution (Attachment 1 – Proposed Resolution) to issue a Preliminary Official Statement (Attachment 2 - Form of the Preliminary Official Statement) and authorize other actions in connection with the refunding will allow it to officially commence.

## **DISCUSSION**

On June 28, 2018, DOF notified the Agency that it would commence a 60-day review period as allowed by Dissolution Law. During that time, the Agency's Finance Team prepared the Preliminary Official Statement for the 2018 Bonds. On August 27, 2018, the Successor Agency received approval from the DOF for the issuance and sale of the 2018 Bonds.

A required step in the process of issuing the 2018 Bonds is approving a Preliminary Official Statement (the "POS") to be used in marketing the Bonds. Staff has worked with Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond and Disclosure Counsel, Urban Futures, Incorporated, Financial Advisor and Fiscal Consultant, and B.C. Ziegler and Company, the Underwriter, to prepare a draft of the POS for review by the Successor Agency Board. Copies of the draft of the POS have been distributed to Board members.

The POS is the "offering document" for the Bonds, required under federal securities laws. The Successor Agency Board has an obligation to ensure that the POS includes all information that would be material to a prospective investor's decision whether to purchase the Bonds. While the Successor Agency's legal counsel, consultants, and the Underwriter have participated in preparing the POS, the Successor Agency Board and staff are ultimately responsible for ensuring that the POS is accurate, contains no misleading information and does not omit any information necessary to make the POS not misleading to investors.

The resolution before the Board will approve the form of the POS and authorize the Executive Director and other officials of the Successor Agency to finalize the POS for distribution to prospective investors.

Approval of the form of the POS will allow the Successor Agency to price and sell the 2018 Bonds, once final approval from DOF is obtained. It is anticipated that the Agency will obtain a bond rating from Standard & Poor's Corp., as well as a bond insurance commitment and a reserve fund surety policy, prior to pricing and selling the 2018 Bonds. The Successor Agency received approval from DOF on August 27, 2018. The Agency will likely price and sell the 2018 Bonds during the third week of September, with bond closing tentatively scheduled for the first week of October.

The 2018 Bonds will be secured by the pledged tax revenues deposited in the Redevelopment Property Tax Trust Fund and payable from amounts on deposit therein after payments of certain County of Los Angeles administrative costs and payments to certain taxing agencies. The County of Los Angeles has agreed to subordinate its receipt of pass through revenues receivable pursuant to certain tax sharing agreements, to the debt service payments on the 2018 Bonds. Deferral payments to the County with respect to the tax sharing agreements has not been subordinated to debt service payments on the 2018 Bonds. The subordination of pass through payments would only come into play if there was a severe reduction in pledged tax revenues available for bond debt service payments.

Attachments:           1) Resolution  
                              2) Form of the Preliminary Official Statement  
                              3) Department of Finance Approval of Issuance and Sale of 2018 Bonds

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