

City of Port Hueneme

**CITY OF PORT HUENEME
SUCCESSOR AGENCY OVERSIGHT BOARD
SPECIAL MEETING**

**AUGUST 28, 2017
1:00 P.M.**

**PORT HUENEME CITY HALL: 250 NORTH VENTURA ROAD
PORT HUENEME, CA 93041**

Oversight Board Members

Dr. Michael Bush, Vice President of Business Services, Ventura County Community College District
Steven Kinney, Public Member
Vacant, City of Port Hueneme
Norman Plott, Division Chief, Ventura County Fire Protection District
Scott Powers, Program Management Analyst, County of Ventura
Dr. Christine Walker, Assistant Superintendent, Hueneme Elementary School District
Jonathan Sharkey (Chair), Port Hueneme City Council Member

AGENDA

- 1. CALL TO ORDER, ROLL CALL**
- 2. AGENDA:** *(Amend / Approve)*
- 3. CONSENT:**
 - A. APPROVAL OF MINUTES**

Action: It is recommended the Board approve the Minutes of the January 23, 2017 Special Meeting.
- 4. NEW BUSINESS:**
 - A. APPROVING PROPOSED REFUNDING OF REDEVELOPMENT BONDS**

Action: It is recommended the Oversight Board for the Successor Agency to the Port Hueneme Redevelopment Agency ("Oversight Board") adopt Resolution No. 29 approving the commencement of a proposed refunding of certain

outstanding obligations and bonds of the former Port Hueneme Redevelopment Agency (“Former RDA”) and the Successor Agency to the Former RDA (“Successor Agency”).

RESOLUTION NO. 29

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY APPROVING A PRELIMINARY SUBMISSION TO THE CALIFORNIA DEPARTMENT OF FINANCE REGARDING A PROPOSED REFUNDING OF CERTAIN OUTSTANDING OBLIGATIONS OF THE FORMER PORT HUENEME REDEVELOPMENT AGENCY

- 5. OPEN FORUM:** *Anyone wishing to speak to the Board on any item NOT on the Agenda may do so. Please approach the podium and give your name and address clearly for the record.*

ADJOURNMENT: Adjourn the meeting.

Copies of staff reports or other written documentation relating to each item of business referred to in this Agenda are available for public inspection in the Office of the City Clerk and on the City’s website at www.cityofporthueneme.org. Materials received after agenda packet distributions are made available to the public on the City’s website and in the City Clerk’s office at the same time they are provided to the Council. The public may address any item on the Agenda by submitting a speaker card to the Clerk prior to or during the time the matter is addressed by the Council. Speaker comments are limited to three minutes.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, CONTACT THE OFFICE OF THE CITY CLERK AT 986-6503 OR THE CALIFORNIA RELAY SERVICE. NOTICE 48 HOURS PRIOR TO THE MEETING WILL ENABLE THE CITY TO MAKE REASONABLE ARRANGEMENTS TO ALLOW PARTICIPATION IN THIS MEETING.

**CITY OF PORT HUENEME
SUCCESSOR AGENCY OVERSIGHT BOARD**

JANUARY 23, 2017

MINUTES

The Special Meeting of the Port Hueneme Successor Agency Oversight Board was called to order by Chair Sharkey at 3:01 p.m. in the City Hall Council Chamber, 250 North Ventura Road, Port Hueneme, California. The City Clerk called the roll:

PRESENT: Members Steven Kinney (Public Member), Carmen Nichols (City of Port Hueneme), Norman Plott (Ventura County Fire Protection Division), Scott Powers (County of Ventura), Chair Jonathan Sharkey (Port Hueneme City Council).

ABSENT: Member Dr. Christine Walker.

Staff members present were Alvin Burrell, Interim Finance Director, Michele Kostenuik, City Clerk.

AGENDA:

The Council Members had previously received copies of the Agenda.

Member Plott, seconded by Member Powers, moved to approve the Agenda as presented. Motion carried 6-0 (Walker absent).

CONSENT:

A. APPROVAL OF MINUTES

Action: It is recommended the Board approve the Minutes of the October 24, 2016 Special Meeting.

Member Kinney, seconded by Member Powers, moved to approve the Minutes as presented. Motion carried 6-0 (Walker absent).

NEW BUSINESS:

A. OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE 17-18 AND THE FISCAL YEAR 2017-18 SUCCESSOR AGENCY ADMINISTRATIVE BUDGET (JULY 1, 2017 THROUGH JUNE 30, 2018)

Action: It is recommended the Board approve, by resolution in accordance with California Health & Safety Code ("HSC") Section 34180, the Recognized Obligation Payment

Schedule for July 1, 2017 through June 30, 2018 ("ROPS 17-18") and the attached Fiscal Year 2017-18 Administrative Budget, both prepared pursuant to HSC Section 34177.

RESOLUTION NO. 28

RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY TO APPROVE THE RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE FOR FISCAL YEAR 2016-17 AND THE FISCAL YEAR 2016-17 SUCCESSOR AGENCY ADMINISTRATIVE BUDGET (BOTH FOR JULY 1, 2017 THROUGH JUNE 30, 2018)

Dmitry Galkin from RSG gave an overview. Discussion ensued among the Board and staff.

Member Powers, seconded by Member Plott moved to approve the item as presented. Motion carried 6-0 (Walker absent) by the following roll call vote:

B. DISCUSSION OF OUTSTANDING SUCCESSOR AGENCY LOANS

Action: It is recommended the Oversight Board discuss outstanding loans.

Dmitry Galkin from RSG explained situation of outstanding loans. Discussion ensued among Board and staff.

OPEN FORUM:

Chair Sharkey asked if there was anyone present who wished to speak on any matter not on the Agenda. No one requested to speak.

ADJOURNMENT:

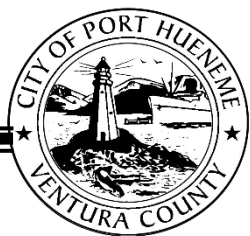
Chair Sharkey, without objection, adjourned the Successor Agency Oversight Board Special Meeting at 3:24 p.m.

Respectfully submitted,

Michele Kostenuik
City Clerk

APPROVED:

CHAIR SHARKEY



City of Port Hueneme

OVERSIGHT BOARD AGENDA STAFF REPORT

TO: Oversight Board for the Successor Agency to the Port Hueneme Redevelopment Agency

FROM: Rod Butler, City Manager

SUBJECT: APPROVING PROPOSED REFUNDING OF REDEVELOPMENT BONDS

DATE: August 28, 2017

RECOMMENDATION:

It is recommended the Oversight Board for the Successor Agency to the Port Hueneme Redevelopment Agency ("Oversight Board") adopt Resolution No. 29 approving the commencement of a proposed refunding of certain outstanding obligations and bonds of the former Port Hueneme Redevelopment Agency ("Former RDA") and the Successor Agency to the Former RDA ("Successor Agency").

BACKGROUND:

In 2011, the California Legislature adopted, and the Governor signed, Assembly Bill ("AB") x1 26 which effectively dissolved all redevelopment agencies in the State of California.

Governor Brown signed AB 1484 on June 27, 2012 and Senate Bill 107 on September 22, 2015, significantly changing and clarifying certain provisions of ABx1 26 (collectively the "Dissolution Act"). The Dissolution Act authorizes the Successor Agency to undertake proceedings for the refunding of outstanding bonds and other obligations of the Former RDA with the approval of the Oversight Board and the California Department of Finance ("DOF").

Hilltop Securities, Inc. has prepared an analysis of the potential savings that will accrue to the Successor Agency and to applicable taxing entities ("Refunding Analysis") with the refunding of the R-76 1993 Tax Allocation Refunding Bonds ("1993 Bonds") and the Central Community Project 2004 Subordinate Tax Allocation Refunding Bonds ("2004 Bonds" and, collectively with the 1993 Bonds, the "RDA Bonds").

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The Financing Team is recommending a Private Placement of the Bonds, as opposed to a public sale. A Private Placement is sold to one investor, as opposed to selling to multiple investors through a public sale. Using a Private Placement for the refinancing of the RDA Bonds would lower the overall cost of refunding and issuance since the Private Placement will not require:

- 1) an Official Statement,
- 2) an Underwriter's Discount to sell the Bonds,
- 3) rating fees to rate the bonds,
- 4) SEC monitored Continuing Disclosure obligations other than annual audits to the bank, and
- 5) potentially, a Debt Service Reserve Fund.

The purchaser of the Private Placement may possibly not require a Debt Service Reserve Fund, which is usually 10% of the issue size. There are significant savings from the legal costs of preparing and printing an Official Statement.

ANALYSIS

Nossaman, LLP, as Bond Counsel, will prepare the legal documentation necessary to refinance the RDA Bonds. Piper Jaffray, as Placement Agent, will prepare a bid term sheet that will go out to banks who are potential purchasers of the Private Placement. Hilltop Securities, Inc. will serve as a Municipal Advisor on the financing and assist with preparing the bid term sheet and determining the winning bidder. RSG, as Fiscal Consultant, will prepare a Fiscal Consultant's Report ("FCR") that will be necessary for potential purchasers of the Private Placement before they offer bids.

The Financing Team of Nossaman, LLP, Piper Jaffray, and Hilltop Securities will work on a contingent basis to provide the documentation necessary to DOF and will be compensated only if, and not until, the 2017 Bonds close. Other participants will also provide ancillary services on a contingent basis.

It will be necessary to hire RSG to provide an FCR. RSG has assisted the Successor Agency on many dissolution matters since the Dissolution Act and assisted the Former RDA in redevelopment matters prior to the Dissolution Act. An independent FCR, which cannot be paid on a contingent basis, will be required by the buyer of the Private Placement. The cost for the FCR of \$35,500 is not a contingent cost but can be deferred and placed on a future ROPS for repayment should the refinancing not close.

The Successor Agency approved the initiation of the refunding at its meeting on August 7, 2017. Once the Oversight Board approves the initiation of the refinancing, an approval process from DOF would start. DOF would be provided with the savings analysis and cost of issuance. Within five days of receiving the Oversight Board resolution, DOF could request up to 60 days to review documents. If satisfied, DOF will provide their approval to proceed with a formal application. Once DOF provides their

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preliminary approval, the legal documentation and updated savings numbers will be provided to the Successor Agency and Oversight Board for approval. The legal documentation can then be taken back to DOF for final approval, if necessary. The refinancing can then be closed after receiving final DOF approval, if necessary.

Given that DOF can take up to 65 days to provide their approval for both the preliminary and formal applications, this entire process can take up to 4 to 6 months.

FISCAL IMPACT

Based on interest rates of May 12, 2017, **the gross savings are estimated at \$2.4 million**. This translates to approximately \$2.3 million in gross present value savings and \$476,000 of present value savings net of prior funds on hand, which is 5.2% of the refunded RDA Bonds. These savings numbers include the estimated cost of issuance. An industry “rule of thumb” is that any net present value savings more than 3% of the outstanding bonds is considered a good economic refunding. This refunding meets this criterion. It is also important to note that the Private Placement Series 2017 Bonds (“2017 Bonds”) will not extend the maturity of the RDA Bonds.

Approximately 16% of the Successor Agency’s annual cash flow savings would benefit the City, through the waterfall distribution of property tax increment under the Dissolution Act. According to calculations by RSG, Inc., **the City could expect approximately \$67,500 of attributable annual cash flow savings to the General Fund**, based on interest rates of May 12, 2017 and with the remaining annual savings distributed among other taxing entities as shown in Figure 1.

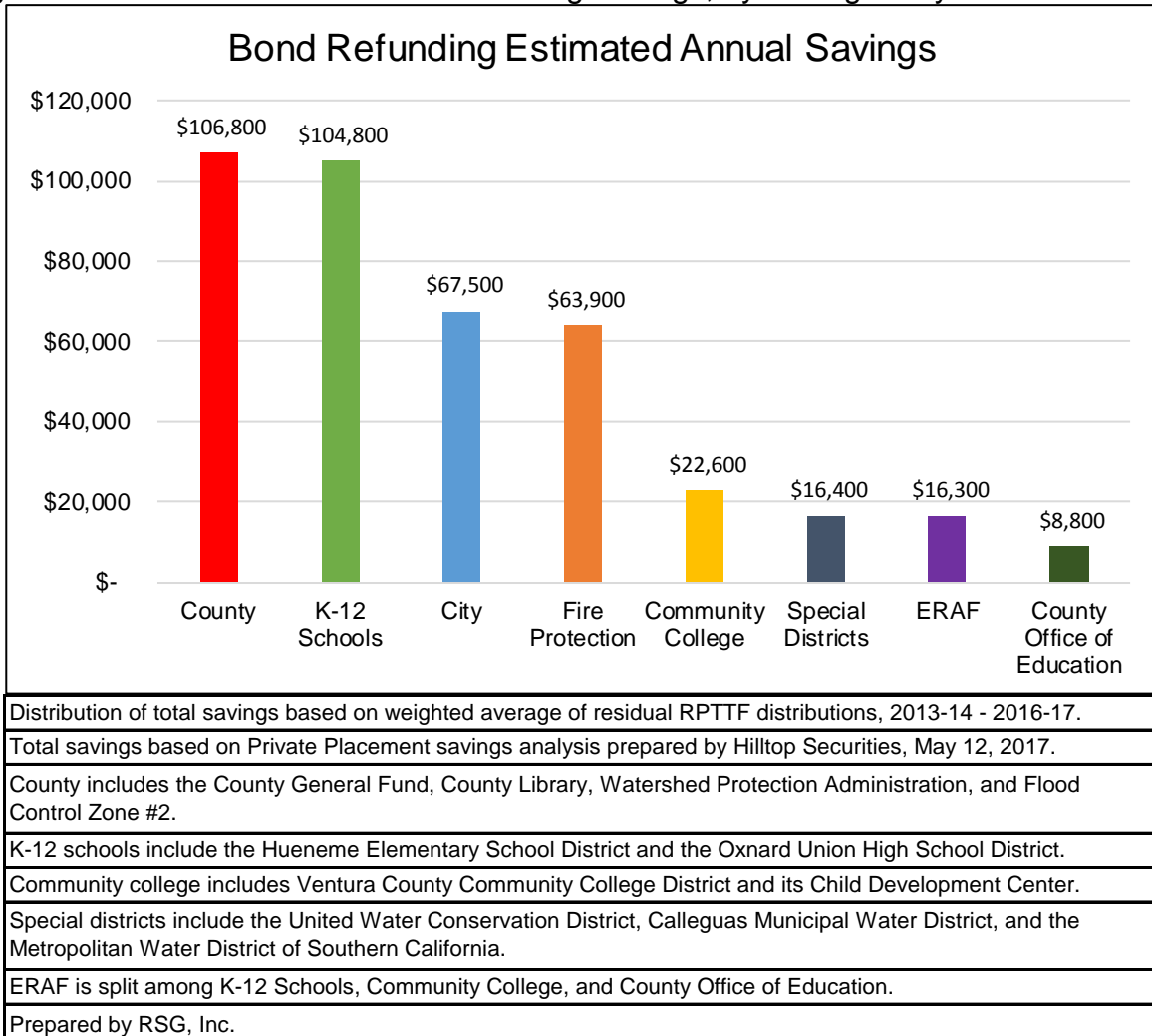
It is important to note that these savings will be lower in certain years. Most notably, the City may not experience any of the savings in fiscal year 2017-18 as a result of the timing of when revenues are requested for debt service under the Dissolution Act. However, over the remaining life of the 2017 Bonds, the City should receive the attributable cash flow savings as estimated.

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Figure 1. Estimated Annual Bond Refunding Savings, by Taxing Entity



The risk to the financing are:

- 1) interest rates could move up, thereby eliminating any potential savings (although interest rates could also move down increasing potential savings) and
- 2) DOF could refuse approval for the refinancing.

Therefore, it is prudent to move as quickly as possible to start the DOF preliminary approval process and close the Private Placement.

CONCLUSION

Approval by the Oversight Board of the resolution will allow the Financing Team to continue the process of refinancing the RDA Bonds. The process will include preliminary approval from DOF. Once DOF approves the concept of the refinancing,

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legal documentation will be brought back to both the Successor Agency and Oversight Board for final approval before new bonds are issued to refinance the current bonds.

ATTACHMENTS:

1. Oversight Board Resolution No. 29, A Resolution of the Oversight Board for the Successor Agency to the Port Hueneme Redevelopment Agency Approving a Preliminary Submission to the California Department of Finance Regarding a Proposed Refunding of Certain Outstanding Obligations of the Former Port Hueneme Redevelopment Agency

OVERSIGHT BOARD RESOLUTION NO. 29

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY APPROVING A PRELIMINARY SUBMISSION TO THE CALIFORNIA DEPARTMENT OF FINANCE REGARDING A PROPOSED REFUNDING OF CERTAIN OUTSTANDING OBLIGATIONS OF THE FORMER PORT HUENEME REDEVELOPMENT AGENCY

The Oversight Board for the Successor Agency to the Port Hueneme Redevelopment Agency (“Oversight Board”) does resolve as follows:

Section 1. The Board finds and declares that:

- A. Pursuant to the dissolution of redevelopment agencies per Assembly Bill (“AB”) x1 26 (Chapter 5, Statutes of 2011) and ABx1 27 (Chapter 6, Statutes of 2011), and subsequent legislation, AB 1484 (Chapter 26, Statutes of 2012) and Senate Bill 107 (Chapter 325, Statutes of 2015) (altogether, “Dissolution Act”), the City of Port Hueneme (“City”) adopted Resolution No. 4002 on January 11, 2012, electing to serve as the Successor Agency to the Port Hueneme Redevelopment Agency (“Successor Agency”);
- B. The former Port Hueneme Redevelopment Agency (“Former Agency”) is obligated to the pay the R-76 1993 Tax Allocation Refunding Bonds issued in the aggregate principal amount of \$3,320,000 (the “1993 Bonds”) and the Central Community Project 2004 Subordinate Tax Allocation Refunding Bonds issued in the aggregate principal amount of \$12,210,000 (the “2004 Bonds” and, collectively with the 1993 Bonds, the “RDA Bonds”) for the purpose of financing programs, projects and activities relating to the Former Agency’s R-76 project area and Central Community Project area (“Project Areas”) from tax increment revenues derived from the Project Areas;
- C. AB 1484, among other things, amended the California Health and Safety Code (“HSC”) to authorize the Successor Agency to issue bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of the Title 5 of the California Government Code (“Refunding Law”) for the purpose of achieving debt service savings;
- D. The Dissolution Act added Section 34177.5 to the HSC, which authorizes the Successor Agency to undertake proceedings for the refunding of outstanding bonds and other obligations of the Former Agency, subject to the conditions precedent contained in Section 34177.5 and the approval of the Oversight Board and the California Department of Finance (“DOF”);
- E. The Successor Agency approved at its meeting on August 7, 2017 the initiation of the refunding of the RDA Bonds, which it would achieve by issuing a series of

bonds (“Refunding Bonds”) under and pursuant to the Refunding Law, which will produce debt service savings, thereby increasing the amount of residual property taxes paid to the taxing entities;

F. The Successor Agency has caused to be prepared by Hilltop Securities, Inc. (“Municipal Advisor”) an analysis of the potential savings that will accrue to the Successor Agency and to affected taxing entities as a result of such refunding (“Refunding Analysis”);

G. The Oversight Board desires to adopt this Resolution approving the initiation of the refunding of the RDA Bonds and a preliminary submission to DOF regarding the proposed refunding.

Section 2. *Approval.* The Oversight Board approves the submittal of the proposed plan of refunding (including the Refunding Analysis) to DOF for preliminary approval; provided, the Successor Agency is under no obligation to go forward with the issuance of the Refunding Bonds unless satisfactory terms are presented to the Successor Agency.

Section 3. *Authorization.* The officers and staff of the Oversight Board and Successor Agency are authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to effectuate this Resolution, including providing documents to DOF.

Section 4. *Environmental Determination.* The adoption of this Resolution is exempt from review under the California Environmental Quality Act (Cal. Pub. Res. Code §§ 2100, *et seq.*, “CEQA”) and CEQA regulations (14 CCR §§ 15000, *et seq.*) because it establishes rules and procedures to implement government funding mechanisms; does not involve any commitment to a specific project which could result in a potentially significant physical impact on the environment; and constitutes an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. Accordingly, the adoption of this Resolution does not constitute a “project” that requires environmental review (see 14 CCR § 15378(b)(4-5)).

Section 5. *Reliance on Record.* Each and every one of the findings and determinations in this Resolution are based on the competent and substantial evidence, both oral and written, contained in the entire record relating to the Oversight Board and applicable law. The findings and determinations constitute the independent findings and determinations of the Oversight Board in all respects and are fully and completely supported by substantial evidence in the record as a whole.

Section 6. *Summaries of Information.* All summaries of information in the findings, which precede this Section, are based on the substantial evidence in the record including, without limitation, verbal and documentary evidence submitted to the Oversight Board. The absence of any particular fact from any such summary is not an indication that a particular finding is not based in part on that fact.

Section 7. *Certification.* The Secretary is directed to certify the adoption of this Resolution; record this Resolution in the book of the Oversight Board's original resolutions; and make a minute of the adoption of the Resolution in the Oversight Board's records and the minutes of this meeting.

Section 8. *Effectiveness.* This Resolution will become effective immediately upon adoption and will remain effective unless repealed or superseded.

PASSED, APPROVED, AND ADOPTED this 28th day of August, 2017.

OVERSIGHT BOARD

JONATHAN SHARKEY, CHAIR

ATTEST:

**MICHELE KOSTENIUK, CITY CLERK
ON BEHALF OF THE SUCCESSOR
AGENCY**

APPROVED AS TO CONTENT:

**ROD BUTLER, CITY MANAGER
ON BEHALF OF THE SUCCESSOR
AGENCY**