

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 10, 2015

CAO File No. 0670-00031-0001

Council File No.

Council District: ALL

To: The Mayor
The City Council

From: Miguel A. Santana, City Administrative Officer



Reference: Council File No. 14-1194

Subject: **REQUEST TO DEFEASE ALL OUTSTANDING LANDSCAPING AND LIGHTING DISTRICT 96-1 ASSESSMENT BONDS (PROPOSITION K), SERIES 2000, SERIES 2001 AND SERIES 2002 IN THE AMOUNT OF \$16.025 MILLION**

SUMMARY

The City Administrative Officer (CAO) requests authority to defease \$16.025 million in Landscaping and Lighting District 96-1 Assessment Bonds, Series 2000, Series 2001, and Series 2002 (the "Bonds"). The defeasance will be paid solely from the assessments collected under the Referendum Ordinance K for the City-wide Parks, Recreation and Community Facilities Assessment (Proposition K). The amount required to defease the Bonds is \$16.7 million as shown below:

Principal	\$16,025,000.00
Interest Due on September 1, 2015	400,844.38
Expenses	284,017.00
Total Amount Required for Defeasance	\$16,709,861.38
Less Funds on Hand with Trustee	(400,951.93)
Total Amount City is required to Wire Transfer to Trustee:	\$16,308,909.45

As reported in the 2015-16 Proposition K Assessment Report dated May 8, 2015 (C.F. 14-1194), the defeasance of the Bonds will not impact projects because the monies earmarked for the defeasance are not needed to fund other program priorities. The defeasance of the Bonds will provide interest savings of approximately \$2.67 million to property owners in the City. The interest savings represent the amount of future interest payments the City would have paid if the Bonds remained outstanding.

Certain actions are required to complete the defeasance in the following order: 1) transfer funds from the City to Union Bank N.A., the Trustee and Escrow Bank, on or by June 26, 2015; 2) City to submit a Notice of Intention to defease the Bonds to the Trustee; and 3) Trustee to notify the bondholders of the bond call, at least 15 days prior to September 1, 2015, the redemption date. To proceed with the defeasance of the Bonds, the Mayor and City Council will need to approve a Resolution (Attachment A), including an Escrow Agreement (Attachment B).

The recommendations are in compliance with the City's Financial Policies.

RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor:

1. APPROVE a Resolution authorizing the defeasance of the outstanding Landscaping and Lighting District 96-1 Assessment Bonds, Series 2000, Series 2001, and Series 2002 (the "Bonds"), including the execution and delivery of an Escrow Agreement;
2. INSTRUCT the Controller and Treasurer to wire transfer \$16,308,909.45 from Fund Nos. 43K and 43L to MUFG Union Bank, Trustee and Escrow Bank, on or by June 26, 2015, pursuant to wire instructions to be provided by the City Administrative Officer; and
3. AUTHORIZE the City Administrative Officer to prepare technical adjustments as needed to carry out the intent of the defeasance of the Bonds and authorize the Controller to implement those technical adjustments.

FISCAL IMPACT STATEMENT

There is no fiscal impact on the General Fund as a result of the proposed transaction as the defeasance will be paid solely from the assessments collected under the Referendum Ordinance K for the City-wide Parks, Recreation and Community Facilities Assessment.

DEBT IMPACT STATEMENT

There is no debt impact on the General Fund as a result of the proposed transaction as the defeasance will be paid solely from the assessments collected under the Referendum Ordinance K for the City-wide Parks, Recreation and Community Facilities Assessment.

FINDINGS

1. Background

Proposition K, approved by voters in November 1996, authorized the City to impose an assessment of \$25 million for 30 years commencing in Fiscal Year 1997-98 to pay for the construction and improvements of parks and recreational facilities throughout the City, and to finance the issuance of bonds to fund all or a portion of the costs of the projects. As a result, in March 2000, the City issued \$14.355 million in bonds to accelerate the construction and improvements of 10 projects (C.F. 97-0031-S17); in March 2001, \$10.3 million in bonds were issued for four projects (C.F. 00-0531); and in July 2002, \$19.63 million were issued for four projects (C.F. 00-0488).

The "2015-16 Proposition K Assessment Report" dated May 8, 2015 (C.F. 14-1194) made certain 2014-15 budget modifications, including the approval to proceed with the defeasance of the Bonds and to provide the necessary funds. This report is pending approval by City Council and Mayor. The Council meeting is scheduled for June 10, 2015.

2. Maturities to be Defeased

Below are the outstanding maturities.

Series	Maturity Date	Par Amount
2000	3/1/16	565,000
2000	3/1/17	595,000
2000	3/1/18	630,000
2000	3/1/19	665,000
2000	3/1/20	705,000
2001	3/1/16	605,000
2001	3/1/17	630,000
2001	3/1/18	660,000
2001	3/1/19	695,000
2001	3/1/20	725,000
2001	3/1/21	765,000
2002	3/1/16	1,085,000
2002	3/1/17	1,135,000
2002	3/1/18	1,190,000
2002	3/1/19	1,245,000
2002	3/1/20	1,310,000
2002	3/1/21	1,375,000
2002	3/1/22	1,445,000
	Total	\$16,025,000

3. Required Documents

To proceed with the defeasance of the Bonds, the Mayor and City Council will need to approve a Resolution (Attachment A), including an Escrow Agreement (Attachment B).

4. Financing Team

Public Resources Advisory Group serves as Financial Advisor and Orrick, Herrington, and Sutcliffe LLP serves as Bond Counsel for the Bonds. The financial advisor and law firm were selected from qualified lists that were approved by the Mayor and City Council (C.F. 14-0412 and 12-0917). The costs for these services and other expenses are approximately \$284,017 and will be paid from assessments.

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