

**JOINT REPORT TO THE  
CITY COUNCIL AND  
SALINAS PUBLIC FINANCING AUTHORITY**  
*City of Salinas, California*

DATE: July 12, 2016

FROM: Matt N. Pressey, CPA, Finance Director

SUBJECT: **2016 ASSESSMENT DISTRICT BOND REFINANCING**

**RECOMMENDATIONS:**

It is recommended that the City Council:

1. Adopt a resolution authorizing the issuance of refunding bonds and approving and authorizing related documents and actions, and
2. Adopt a resolution declaring its intention to levy reassessments and to issue refunding bonds, and
3. Adopt a resolution adopting reassessment report, confirming and ordering the reassessment by summary proceedings and authorizing and directing related actions.

It is recommended that the Board of Directors of the Salinas Public Financing Authority:

1. Adopt a resolution approving the execution of an escrow agreement in connection with the Salinas Public Financing authority refunding revenue Bonds, (2002 Assessment Districts Refinancing), Series A Senior Lien Bonds, and taking certain other actions in connection therewith.

**DISCUSSION:**

The City desires to refinance the following special assessment district debt and realize savings for each property owner:

- 1998 AD 98-1 – Bella Vista III Refunding
- 2000 AD 96-2 – Acacia Park Refunding
- 2002 RADA – Bella Vista Refunding
- 2002 RADB – Bella Vista Refunding

The refinancing will be funded through a direct private placement with City National Bank (City National), in an amount of not to exceed \$5,000,000.

As shown below, the new bond issue will total approximately \$4.5 million, which in combination with debt service reserves for the prior bonds and the current year's assessment installments paid by property owners will amount to over \$6.2 million to be used to pay off the existing obligations of \$5,951,844, setup a reserve fund, and pay for the cost of issuance. The Sources and Uses table below illustrates expected funding amounts based on current figures:

SOURCES AND USES OF FUNDS					
City of Salinas					
Reassessment District No. 2016 Limited Obligation Improvement Bonds					
Private Placement - City National Bank					
Updated 7-5-16					
	Dated Date				
	Delivery Date				
	07/27/2016				
	07/27/2016				
Sources:	1998 AD 98-1 Bella Vista III Refunding	2000 AD 96-2 Acacia Park Refunding	2002 RADA Bella Vista Refunding	2002 RADB Bella Vista Refunding	Total
<b>Bond Proceeds:</b>					
Par Amount	2,665,000.00	340,000.00	1,365,000.00	185,000.00	4,555,000.00
<b>Other Sources of Funds:</b>					
Prior Reserve Fund	266,571.00	90,090.00	209,393.08	190,182.43	756,236.51
Installment of Assessment Revenues	390,500.00	43,750.00	378,797.50	97,946.25	910,993.75
	657,071.00	133,840.00	588,190.58	288,128.68	1,667,230.26
	3,322,071.00	473,840.00	1,953,190.58	473,128.68	6,222,230.26
<b>Uses:</b>					
<b>Refunding Escrow Deposits:</b>					
Cash Deposit	3,166,350.00	453,750.00	1,873,797.50	457,946.25	5,951,843.75
<b>Other Fund Deposits:</b>					
Debt Service Reserve Fund	79,950.00	10,200.00	40,950.00	5,550.00	136,650.00
<b>Delivery Date Expenses:</b>					
Cost of Issuance	75,771.00	9,890.00	38,443.08	9,632.43	133,736.51
	3,322,071.00	473,840.00	1,953,190.58	473,128.68	6,222,230.26

By refunding the four bonds, approximately \$315,000 is expected in net present value savings or nearly 7% of the bonds being refunded. This represents approximately \$168,000 in average annual savings when comparing the old debt service with the new debt service. The present value savings figure takes into account all issuance costs and the use of the prior bonds' debt service reserve funds to write down the refunding issue size. The true interest cost (akin to the APR on a home loan) is 2.47%, which is significantly lower than the 5.6% average interest rate on the outstanding bonds. The table below summarizes the results for each of the four bonds:

<u>Description</u>	<b>1998 AD 98- 2000 AD 96-</b>	<b>2002</b>	<b>2002</b>	<b>Total</b>	
	<b>1 – Bella Vista III Refunding</b>	<b>2 – Acacia Park Refunding</b>	<b>RADA – Bella Vista Refunding</b>		<b>RADB – Bella Vista Refunding</b>
Refunding Par Amount	2,665,000	340,000	1,365,000	185,000	4,555,000
Net Present Value Savings	175,666	63,062	55,328	22,775	316,831
Average Annual Savings	56,863	17,919	48,162	44,650	167,594
True Interest Cost -- Ref.	2.50%	2.70%	2.30%	2.30%	2.47%
Average Interest Rate of Ref.	5.70%	6.25%	4.87%	5.99%	5.60%
% Savings of Refunding	6.59%	18.55%	4.05%	12.31%	6.96%

***The Financing Team***

Staff has been working with the firms listed below to bring this financing transaction to the Council and the Authority for approval.

<u>Name of Firm</u>	<u>Capacity</u>
Stifel	Placement Agent
Stradling Yocca Carlson & Rauth	Bond Counsel
Bank of New York Mellon	Trustee

**ISSUE:**

Shall the City Council:

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**FISCAL IMPACT:**

There is no direct fiscal impact of this refinancing to the City. The property owners in each district will benefit by a lower annual property tax assessment.

**TIME CONSIDERATION:**

The current market conditions are very favorable to achieve significant savings so moving forward with the refinancing soon is important. A delay in approving the recommended actions may result in less favorable market conditions.

**ALTERNATIVES:**

- 1. Modify terms of the proposed refinancing.
- 2. Not move forward with this refinancing.

**CITY COUNCIL GOALS:**

This refinancing implements the Council Goal of “Effective, Sustainable Government”.

**CONCLUSION:**

Staff recommends approval and execution of the refinancing plan.

Back Up Pages:  
 City Resolutions  
 Authority Resolution  
 Reassessment Engineer's Report  
 Bond Sizing Analysis  
 Escrow Agreement for Salinas Public Financing Authority  
 Escrow Agreement (Acacia Park)  
 Escrow Agreement for Salinas (Bella Vista)  
 Reassessment Fiscal Agent Agreement