



**CONTRA COSTA COUNTY**  
**Department of Conservation and Development**  
**Community Development Division**  
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DATE: March 27, 2017  
TO: Finance Committee  
FROM: Kara Douglas, Assistant Deputy Director  
SUBJECT: Tax Allocation Bond Refunding

The purpose of this memorandum is to request the Finance Committee to recommend to the Governing Board of the Successor Agency to the Contra Costa County Redevelopment Agency (the "Successor Agency") the approval of an issuance of the 2017 Tax Allocation Revenue Bonds (the "2017 Bonds") by the Successor Agency.

The Successor Agency has five outstanding series of tax allocation bonds totaling \$86 million that will be callable on August 1, 2017 (2007 Bonds) or are currently callable.

Table 1 – Outstanding Tax Allocation Bonds

Series	1999	2003	2007A	2007AT	2007B	2007 Total	Grand Total
Par	\$ 7,170,000	\$ 5,550,000	\$ 50,725,000	\$ 22,865,000	\$ 13,105,000	\$ 86,695,000	\$ 99,415,000
Prepaid			(13,315,000)			(13,315,000)	(13,315,000)
<b>Net Par</b>	<b>\$ 7,170,000</b>	<b>\$ 5,550,000</b>	<b>\$ 37,410,000</b>	<b>\$ 22,865,000</b>	<b>\$ 13,105,000</b>	<b>\$ 73,380,000</b>	<b>\$ 86,100,000</b>

The County of Contra Costa Public Financing Authority (the "Authority") issued the bonds and they are backed by 12 underlying tax increment loans from five different project areas (Contra Costa Centre, Bay Point, North Richmond, Rodeo and Montalvin Manor).

Table 2 – Summary of Loans

Project Area Loans	1999	2003	2007 Non-Hsg	2007 Hsg	2007 Total	Grand Total
Contra Costa Centre	\$ 6,995,000	\$ 5,550,000	\$ 32,645,000	\$ -	\$ 32,645,000	\$ 45,190,000
Bay Point	175,000	-	19,115,000	4,520,000	23,635,000	23,810,000
North Richmond	-	-	2,800,000	3,500,000	6,300,000	6,300,000
Rodeo	-	-	5,265,000	3,465,000	8,730,000	8,730,000
Montalvin Manor	-	-	1,390,000	680,000	2,070,000	2,070,000
<b>Total</b>	<b>\$ 7,170,000</b>	<b>\$ 5,550,000</b>	<b>\$ 61,215,000</b>	<b>\$ 12,165,000</b>	<b>\$ 73,380,000</b>	<b>\$ 86,100,000</b>

The Department of Conservation and Development, which serves as the administrator of the Successor Agency, completed a competitive bid process for this transaction and selected Stifel, Nicolaus & Co., Inc. (Stifel) as the underwriter or placement agent for the 2017 Bonds after review of all proposals received. The proposed refunding **will save approximately \$14 million in debt service payments (on a net present value basis)** or approximately 14.2% of refunded bonds, based on current market conditions. The 2017 Bonds may be structured in order to provide debt

service savings in each year as compared to the refunded bonds, or with the same debt service shape, but with a shorter final maturity. The table below shows the two potential structures for the 2017 Bonds and the resulting cash flow savings provided under each scenario. It should be noted that this analysis factors in the \$13 million that is currently held in escrow to pay a portion of the 2007A principal.

Date	Existing Debt Service	2017 Bonds	Cash Flow	2017 Bonds	Cash Flow
		Debt Service Option 1	Savings - Option 1	Debt Service Option 2	Savings - Option 2
08/01/2018	7,860,875	6,106,285	1,754,591	7,857,583	3,292
08/01/2019	7,872,892	6,102,248	1,770,644	7,857,305	15,587
08/01/2020	7,861,383	6,100,980	1,760,403	7,860,333	1,051
08/01/2021	7,866,124	6,103,115	1,763,009	7,858,932	7,192
08/01/2022	8,152,451	6,105,230	2,047,221	7,855,973	296,478
08/01/2023	8,127,300	6,102,241	2,025,059	7,853,250	274,050
08/01/2024	8,138,206	6,105,161	2,033,045	7,855,750	282,456
08/01/2025	8,113,102	6,104,774	2,008,328	7,854,750	258,352
08/01/2026	8,008,210	6,106,250	1,901,960	7,854,750	153,460
08/01/2027	7,967,399	6,103,500	1,863,899	7,855,000	112,399
08/01/2028	7,981,641	6,107,000	1,874,641	7,854,750	126,891
08/01/2029	8,692,867	6,106,000	2,586,867	7,858,250	834,617
08/01/2030	8,692,892	6,105,250	2,587,642	6,814,500	1,878,392
08/01/2031	8,691,980	6,104,250	2,587,730		8,691,980
08/01/2032	8,699,382	6,102,500	2,596,882		8,699,382
08/01/2033	8,698,794	6,104,500	2,594,294		8,698,794
08/01/2034	8,604,648	6,104,500	2,500,148		8,604,648
08/01/2035	8,609,003	6,107,000	2,502,003		8,609,003
08/01/2036	4,846,892	3,401,250	1,445,642		4,846,892
08/01/2037	4,850,606	3,402,000	1,448,606		4,850,606
Total	158,336,647	116,684,034	41,652,613	101,091,125	57,245,521

In addition, the refunding will significantly simplify the Agency's existing debt structure and will ease the staff's tracking and reporting burden. **The \$14 million savings will go to the other taxing entities as provided for in the dissolution of the redevelopment agency.** Stifel is currently evaluating proposals for a potential direct placement of the bonds, as well as pursuing a public bond sale.

The 2017 Bonds will be issued directly by the Successor Agency and will not require issuance through the Authority. However, the Authority will need to approve the escrow agreement(s) related to the refunded bonds. The 2017 Bonds will be issued in two series, a tax-exempt and a taxable series.

DCD staff has presented the refunding proposal to the County Debt Affordability Advisory Committee and has received the Committee's support. Staff will continue to confer with the County Auditor-Controller throughout this process to determine the structuring details, including whether to reduce the annual debt service or to reduce the term.

The proposed refunding schedule is very aggressive and targets early to mid-July to complete the refunding. The Governing Board of the Successor Agency will consider adopting a resolution to authorize the bonds and legal documents at its April 25<sup>th</sup> meeting. After the State Department of Finance has reviewed and approved the proposal (a process that can take up to 65 days to complete), the Governing Board of the Successor Agency will be asked to adopt a resolution approving the sale of the refunding bonds and the release of the Preliminary Official Statement (assuming a public sale is pursued).

It is recommended that the Finance Committee approve the proposed financing in order to allow the Agency to realize debt service savings and to simplify the debt structure.