

BEFORE THE SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY OVERSIGHT BOARD
RESOLUTION NO. _____

On the motion of _____ duly seconded by _____ the following resolution is adopted:

RESOLUTION APPROVING MEETING MINUTES OF THE
OVERSIGHT BOARD

WHEREAS, the Santa Cruz County Redevelopment Successor Agency Oversight Board ("Oversight Board") has been established to direct the Santa Cruz County Redevelopment Successor Agency ("Successor Agency") to take certain actions to wind down the affairs of the former Santa Cruz County Redevelopment Agency ("Agency") in accordance with the requirements of Assembly Bill 26 ("ABx1 26"), also known as chapter 5, Statutes 2011, First Extraordinary Session, which added Part 1.8 and Part 1.85 of Division 24 of the California Health and Safety Code, Assembly Bill 1484, also known as chapter 26, Statutes of 2012, and Senate Bill 107, 2015-16 Legislative Session, which made certain revisions to the statutes added by ABx1 26; and

WHEREAS, Health and Safety Code Section 34179 (e) requires that all actions taken by the Oversight Board shall be adopted by resolution; and

WHEREAS, the Oversight Board conducted a public meeting on January 19, 2016, the minutes of which are attached as Exhibit 1; and

WHEREAS, these meeting minutes reflect the actions of the Oversight Board;

NOW, THEREFORE, IT IS HEREBY RESOLVED AND ORDERED by the Santa Cruz County Redevelopment Successor Agency Oversight Board as follows:

SECTION 1. The above Recitals are true and correct.

SECTION 2. The meeting minutes of the Oversight Board meeting on January 19, 2016 are hereby approved.

PASSED, APPROVED and ADOPTED by the Santa Cruz County Redevelopment Successor Agency Oversight Board, this ___ day of _____, 2016 by the following vote:

AYES:

NOES:

ABSENT:

Chairperson of the Santa Cruz County Redevelopment
Successor Agency Oversight Board

**PROCEEDINGS OF THE
SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY
OVERSIGHT BOARD**

**VOLUME 2016, NUMBER 1
January 19, 2016**

ACTION SUMMARY MINUTES

VOTING KEY:

C = Cirillo
G = Geisreiter (VC)
H = Hart
L = Leopold (Chair)
M = Maxwell
Ro = Rozario
Re = Reece

First Initial indicates maker of motion, second initial indicates the "second"; upper case letter = "yes" vote; lower case letter = "no" vote; () = abstain; // = absent

1. **Call to Order/Roll Call** - Meeting called to order at 9:01 a.m. Members present: Geisreiter, Hart, Leopold, Maxwell, and Reece. Absent: Cirillo and Rozario
2. **Consideration of Late Additions to the Agenda; additions and deletions to Consent and Regular Agendas** - none
3. **Oral Communications** – no one addressed the Board.
4. ADOPTED Resolution No. 1-2016OB approving the meeting minutes of September 8, 2015

ReGHLM/CRo/
5. ADOPTED Resolution No. 2-2016OB accepting and filing a status report on the 2015 Tax Allocation Refunding Bonds, Series A and B, Basic Financial Statements of the Santa Cruz County Redevelopment Successor Agency for the period ended June 30, 2015, and Senate Bill 107.

MReGHL/CRo/
6. ADOPTED Resolution No. 3-2016OB approving the administrative budgets of the Santa Cruz County Redevelopment Successor Agency for the 6-month periods, July through December 2016, and January through June 2017.

GHLMRe/CRo/

- 7. ADOPTED Resolution No. 4-2016OB approving the recognized obligation payment schedule for July 1, 2016 through June 30, 2017 (ROPS 16-17)

MHGLRe/CRo/

Approved: _____
Chair, Oversight Board

Attest: _____
Secretary of the Oversight Board

NOTE: This set of Santa Cruz County Redevelopment Successor Agency Oversight Board minutes is scheduled to be approved March 29, 2016.



County of Santa Cruz

SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY

701 OCEAN STREET, ROOM 510, SANTA CRUZ, CA 95060-4073

(831) 454-2280 FAX: (831) 454-3420 TDD: (831) 454-2123

March 14, 2016

Agenda: March 29, 2016

Oversight Board
Santa Cruz County Redevelopment Successor Agency
701 Ocean Street
Santa Cruz, CA 95060

APPROVAL OF 2016-17 OVERSIGHT BOARD MEETING DATES

Dear Members of the Board:


At this time, it is necessary to re-schedule further meetings for calendar years 2016 and 2017. The meetings will be held in the Board Chambers on the 5th floor of the County Government Center at 701 Ocean Street, Santa Cruz, at 9:00 a.m. The proposed meeting dates are Thursday, September 15, 2016 (replacing September 20, 2016), and Tuesday, January 17, 2017.

It is therefore RECOMMENDED that your Board adopt the attached resolution approving the meeting schedule for calendar years 2016 and 2017.

Very truly yours,


Betsey Lynberg
Director of Capital Projects

RECOMMENDED:


Susan A. Mauriello
County Administrative Officer

Attachment: Resolution

cc: CAO, Auditor-Controller, County Counsel, Successor Agency, Planning

BEFORE THE SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY OVERSIGHT BOARD
RESOLUTION NO. _____

On the motion of _____ duly seconded by _____ the following resolution is adopted:

RESOLUTION SCHEDULING MEETINGS
OF THE OVERSIGHT BOARD

WHEREAS, the Santa Cruz County Redevelopment Successor Agency Oversight Board ("Oversight Board") has been established to direct the Santa Cruz County Redevelopment Successor Agency ("Successor Agency") to take certain actions to wind down the affairs of the former Santa Cruz County Redevelopment Agency ("Agency") in accordance with the requirements of Assembly Bill 26 ("ABx1 26"), also known as chapter 5, Statutes 2011, First Extraordinary Session, which added Part 1.8 and Part 1.85 of Division 24 of the California Health and Safety Code, Assembly Bill 1484, also known as chapter 26, Statutes of 2012, and Senate Bill 107, 2015-16 Legislative Session, which made certain revisions to the statutes added by ABx1 26; and

WHEREAS, Health and Safety Code Section 34179 (e) requires that all actions taken by the Oversight Board shall be adopted by resolution; and

WHEREAS, it is necessary to schedule meetings of the Oversight Board for the 2016 and 2017 calendar year;

NOW, THEREFORE, IT IS HEREBY RESOLVED AND ORDERED by the Santa Cruz County Redevelopment Successor Agency Oversight Board as follows:

SECTION 1. The above Recitals are true and correct.

SECTION 2. The Oversight Board shall cancel the meeting on September 20, 2016, and instead meet on Thursday, September 15, 2016, and on Tuesday, January 17, 2017, at 9 am in the Board Chambers on the 5th Floor of the County Government Center at 701 Ocean Street, Santa Cruz.

PASSED, APPROVED and ADOPTED by the Santa Cruz County Redevelopment Successor Agency Oversight Board, this ___ day of _____, 2016 by the following vote:

AYES:
NOES:
ABSENT:

Chairperson of the Santa Cruz County Redevelopment
Successor Agency Oversight Board



County of Santa Cruz

SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY

701 OCEAN STREET, ROOM 510, SANTA CRUZ, CA 95060-4073

(831) 454-2280 FAX: (831) 454-3420 TDD: (831) 454-2123

March 14, 2016

Agenda: March 29, 2016

Oversight Board
 Santa Cruz County Redevelopment Successor Agency
 701 Ocean Street
 Santa Cruz, CA 95060

AUTHORIZE ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS BY THE SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY

Dear Members of the Board:

The attached resolution authorizes the issuance of Tax Allocation Refunding Bonds, in an amount not to exceed \$60 million by the Santa Cruz County Redevelopment Successor Agency (Successor Agency) to reduce debt service on its outstanding 2009A tax allocation bonds issued by the former Redevelopment Agency, with the debt service savings to be shared among the affected taxing agencies.

Background

Prior to dissolution under AB x1 26 and AB 1484 (the RDA Dissolution Act), the Santa Cruz County Redevelopment Agency (former Agency) issued tax allocation bonds for a variety of redevelopment purposes. While the former Agency no longer exists, the Successor Agency is responsible to fund bond debt service until all bonds are repaid.

Section 34177.5 of the RDA Dissolution Act authorizes refinancing of the former Agency debt if debt service savings can be achieved. The Successor Agency has refinanced several series of outstanding bonds of the former Agency in the last two years. As a result, the Successor Agency has already saved approximately \$21.9 million in net debt service over the next 20 years. These savings are allocated between all taxing agencies. The County will receive approximately 17.5% of the savings (\$3.8 million) and the other taxing agencies will share the remaining 82.5% (\$18.1 million).

The remaining bonded debt obligations as of January 1, 2016, of the former Agency are shown in the table below.

	Original Principal	Outstanding Principal	Final Maturity
2007 Refunding Bonds	\$ 10,755,000	\$ 9,900,000	2030
2007 Series A Bonds	7,370,000	3,985,000	2022
2009 Series A Bonds	55,970,000	53,470,000	2036
2010 Bonds	18,500,000	17,850,000	2036
2011 Series A Bonds	11,315,000	9,505,000	2027
2011 Series B Bonds	5,595,000	5,240,000	2036

The Successor Agency approved issuance of the refunding bonds on March 22, 2016 (Attachment 2). Final approval authority for any refinancing resides with the Santa Cruz County Redevelopment Successor Agency Oversight Board (Oversight Board) and the Department of Finance (DOF).

Refunding Analysis

The 2009 Series A Bonds can be refinanced at the present time and provide debt service savings to the Successor Agency. These savings will increase the amount of "residual" property tax (or tax increment) available to pay existing enforceable obligations of the Successor Agency or be redistributed to other taxing agencies.

The other debt issues of the former Agency were reviewed for refinancing potential, but due to either interest rate or available call dates, they did not meet the statutory refinancing requirements of CRL. Staff will continue to monitor the potential for refinancing the other outstanding series of Agency bonds.

The 2009 Bonds were issued on a tax-exempt basis. Based on current interest rates for tax-exempt bonds, the Successor Agency can refinance the 2009 Bonds at an average interest cost of approximately 3.6%, compared to the average rate on the bonds to be refunded of 6.9%. After the refinancing, the Successor Agency would reduce the requested funding from the Redevelopment Property Tax Trust Fund for debt service by an estimated \$15.3 million through 2036 (final maturity). This represents a 14.5% reduction in net debt service over 20 years. The total \$16.4 million reduced net debt service would generate more residual balance available to pay enforceable obligations of the Successor Agency and to distribute to other taxing entities in furtherance of the goals of redevelopment agency dissolution legislation. The County's share of the increased residual is approximately \$2.9 million (17.5%), with the \$13.5 million balance of the residual going to the other taxing agencies.

The bonds are expected to carry the Successor Agency's current "A" Standard & Poor's credit rating. The Successor Agency will apply for bond insurance to achieve the lower interest rate used in the estimated savings analysis attached hereto.

If approved by your Board, the Department of Finance (DOF) will review the Oversight Board action and may authorize the Successor Agency to proceed with refinancing so long as the requirements of Section 34177.5(a)(1) of the CRL are ultimately met when the refunding bonds

Oversight Board
March 14, 2016
Page 3

are sold -- that is, the total debt service on the refunded bonds must be less than the total remaining debt service on the bonds being refunded. The DOF has a 60 day period for review. If the DOF takes the maximum allotted time for review, the Successor Agency will be in position to enter the market in June.

Between the time that the refinancing is approved by the Successor Agency and the time that the Successor Agency can actually enter the market to sell the refunding bonds, interest rates could increase, and debt service savings may be reduced. Therefore, the reduced net debt service of \$16.4 million is an estimate at this time.

The County has an informal policy of achieving a minimum 4% savings when refunding outstanding bonds. If the savings are below 4% by the time the Successor Agency can enter the market, the refinancing of the 2009 Bonds will be put on hold until interest rates return to a level where the savings criteria can be met.

The repayment is scheduled to occur over the same term as the existing bonds (20 years). No extension of maturity is permitted under the RDA Dissolution Act.

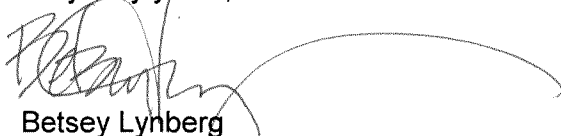
Authorizing Resolution

In order to authorize the issuance of the refunding bonds, your Board is being presented with a resolution for consideration. The resolution authorizes sale of a principal amount tax-exempt refunding bonds not-to-exceed \$60 million, provided that each series of bonds shall satisfy the requirements of CRL 34177.5(a)(1).

Recommendation

It is RECOMMENDED that your Board adopt the attached resolution.

Very truly yours,



Betsey Lynberg
Director of Capital Projects, Department of Public Works

RECOMMENDED:



Susan A. Mauriello
County Administrative Officer

Attachments

cc: Auditor-Controller, County Counsel, Successor Agency, State Department of Finance, Rutan & Tucker, Harrell & Company Advisors, Quint & Thimmig

BEFORE THE SANTA CRUZ COUNTY REDEVELOPMENT
SUCCESSOR AGENCY OVERSIGHT BOARD

RESOLUTION NO. _____

On the motion of _____ duly seconded by _____ the following resolution is adopted:

RESOLUTION APPROVING THE ISSUANCE AND SALE OF
TAX ALLOCATION REFUNDING BONDS, 2016 SERIES A, BY
THE SANTA CRUZ COUNTY REDEVELOPMENT
SUCCESSOR AGENCY AND APPROVING CERTAIN OTHER
ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Santa Cruz County Redevelopment Agency (the “Prior Agency”) was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with section 33000) of the California Health and Safety Code) (the “Law”), and the powers of the Prior Agency included the power to issue Bonds for any of its corporate purposes; and

WHEREAS, pursuant to section 34172(a) of the Law (unless otherwise noted, all section referenced hereinafter being to the Law), the Prior Agency has been dissolved and no longer exists, and pursuant to section 345173, the Santa Cruz County Redevelopment Successor Agency (the “Successor Agency”) has become the successor entity to the Prior Agency; and

WHEREAS, pursuant to section 34179, this Oversight Board has been established for the Successor Agency; and

WHEREAS, this Oversight Board is informed by the Successor Agency that, prior to the dissolution of the Prior Agency, the Prior Agency issued its Tax Allocation Bonds, 2009 Series A (Live Oak/Soquel Community Improvement Project Area) (the “2009A Bonds” or “Prior Bonds”) for the purpose of financing redevelopment activities of the Prior Agency, which obligations remain outstanding; and

WHEREAS, section 34177.5 authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Refunding Law”) for the purpose of achieving debt service savings within the parameters set forth in section 34177.5(a)(1) (the “Savings Parameters”); and

WHEREAS, the Successor Agency has determined that, based on current conditions in the municipal bond market, it will achieve debt service savings in compliance with the Savings Parameters as evidenced by the analysis prepared by its financial advisor, Harrell & Company Advisors (the “Financial Advisor”), describing potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the refunding of the Prior Bonds (the “Debt Service Savings Analysis”); and

WHEREAS, the Successor Agency proposes to achieve the potential debt service savings evidenced by the Debt Service Savings Analysis by the issuance of its Santa Cruz County Redevelopment Successor Tax Allocation Refunding Bonds, 2016 Series A (the “Refunding Bonds”), pursuant to the Law, the Refunding Law and an indenture of trust, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Indenture”) in the form on file with the Clerk of the Board; and

WHEREAS, the Successor Agency by its resolution adopted March 22, 2016, (the “Successor Agency Resolution”) requested that the Oversight Board, pursuant to §34177.5(f) direct the Successor Agency to undertake such refunding proceedings by the issuance of the Refunding Bonds, it being understood that such direction by the Oversight Board will enable the Successor Agency to recover its related costs in connection with the refunding proceedings, as authorized by Section 34177.5(f); and

WHEREAS, under section 34180(b), the Successor Agency’s issuance of bonds is subject to approval of this Oversight Board; and

WHEREAS, a copy of the Successor Agency Resolution has been submitted to the County of Santa Cruz (the “County”) Administrative Officer, the County Auditor-Controller-Treasurer-Tax Collector and the California Department of Finance, as required by section 34180(i); and

WHEREAS, this Oversight Board now desires to approve the issuance of the Refunding Bonds by the Successor Agency and the other actions of the Successor Agency contemplated by the Successor Agency Resolution.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE OVERSIGHT BOARD FOR THE SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY, AS FOLLOWS:

Section 1. Determination of Savings. This Oversight Board has determined that there are significant potential savings available to the Successor Agency and to applicable taxing entities in compliance with the Savings Parameters by the issuance by the Successor Agency of the Refunding Bonds to provide funds to refund and defease the Prior Bonds, all as evidenced by the Debt Service Savings Analysis on file with the Clerk of the Board of the Oversight Board, which Debt Service Savings Analysis is hereby approved.

Section 2. Direction to Refund. The Oversight Board hereby directs the Successor Agency to undertake the refunding proceedings pursuant to Section 34177.5(a)(1) for the issuance, sale and delivery of the Refunding Bonds, as requested in the Successor Agency Resolution on file with the Secretary of the Oversight Board.

Section 3. Approval of Issuance of the Refunding Bonds. As authorized by Section 34177.5(f) and Section 34180, this Oversight Board hereby approves the issuance by the Successor Agency of the Refunding Bonds pursuant to Section 34177.5(a)(1) and under applicable provisions of the Law and the Refunding Law and as provided in the Successor Agency Resolution and the Indenture, provided that the principal and interest payable with respect to the Refunding Bonds complies in all respects with the requirements of the Savings Parameters, as shall be certified to by the Financial Advisor upon delivery of the Refunding Bonds.

Section 4. Issuance in Separate Series. The Refunding Bonds may be issued as a single issue, or from time to time in separate series, as the Successor Agency shall determine. The approval of the issuance of the Refunding Bonds by the Oversight Board shall constitute the approval of each and every separate series of Refunding Bonds, without the need for any further approval from the Oversight Board, provided that each such separate series of Refunding Bonds complies in all respects with the Saving Parameters required to be met by Section 34177.5(a)(1).

Section 5. Determinations by the Oversight Board. As requested by the Successor Agency in the Successor Agency Resolution, the Oversight Board makes the following determinations upon which the Successor Agency shall rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds:

(a) The Successor Agency is authorized, as provided in Section 34177.5(f), to recover its costs related to the issuance of the Refunding Bonds from the proceeds of the Refunding Bonds, including the cost of reimbursing the County for administrative staff time spent with respect to the authorization, issuance, sale and delivery of the Refunding Bonds;

(b) The application of proceeds of the Refunding Bonds by the Successor Agency to the refunding and defeasance of the Prior Bonds, as well as to the payment by the Successor Agency of all costs of issuance of the Refunding Bonds, as provided in Section 34177.5(a), shall be implemented by the Successor Agency promptly upon sale and delivery of the Refunding Bonds, and, notwithstanding Section 34177.3 or any other provision of law to the contrary, no further approval of the Oversight Board, the California Department of Finance, the County Auditor-Controller or any other person or entity other than the Successor Agency shall be required;

(c) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34181(a)(3) without any deductions with respect to continuing costs related to the Refunding Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183. In addition and as provided by Section 34177.5(f), if the Successor Agency is unable to complete the issuance of the Refunding Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings from such property tax revenues pursuant to Section 34183 without reduction in its Administrative Cost Allowance.

Section 6. Effective Date. Pursuant to Section 34179(h), all actions taken by this Oversight Board may be reviewed by the California Department of Finance and, therefore, this Resolution shall be effective five (5) business days after notice to the Department of Finance unless the Department of Finance requests a review of the actions taken in this Resolution, in which case this Resolution will be effective upon approval by the Department of Finance after such review.

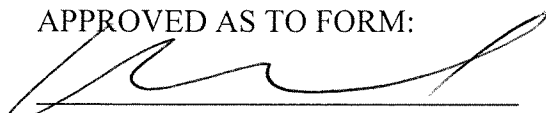
PASSED, APPROVED AND ADOPTED this 29th day of March, 2016.

Chairperson of the Santa Cruz County
Redevelopment Successor Agency Oversight Board

ATTEST:

Clerk of the Oversight Board

APPROVED AS TO FORM:



Bond Counsel

Distribution:

Auditor-Controller
CAO
County Counsel
Successor Agency
State Department of Finance



County of Santa Cruz

Santa Cruz County Redevelopment Successor Agency

701 Ocean Street, Room 510, Santa Cruz, CA 95060-4073
Phone:(831) 454-2280 Fax:(831) 454-3420 TDD: (831) 454-2123

Meeting Date: March 22, 2016
Date: March 7, 2016
To: The Board of Supervisors
From: Susan Mauriello, County Administrative Officer
Subject: Authorize Issuance and Sale of Tax Allocation Refunding Bonds

The attached resolution authorizes the issuance of Tax Allocation Refunding Bonds in an amount not to exceed \$60 million by the Santa Cruz County Redevelopment Successor Agency (Successor Agency) to reduce debt service on its outstanding 2009 tax allocation bonds issued by the former Redevelopment Agency, with the debt service savings to be shared among the affected taxing agencies.

Background

Prior to dissolution under AB x1 26 and AB 1484 (the RDA Dissolution Act), the Santa Cruz County Redevelopment Agency (former Agency) issued tax allocation bonds for a variety of redevelopment purposes. While the former Agency no longer exists, the Successor Agency is responsible for funding bond debt service until all bonds are repaid.

Section 34177.5 of the RDA Dissolution Act authorizes refinancing of the former Agency debt if debt service savings can be achieved. The Successor Agency has refinanced several series of outstanding bonds of the former Agency in the last two years. As a result, the Successor Agency has already saved approximately \$21.9 million in net debt service over the next 20 years. These savings are allocated between all taxing agencies. The County will receive approximately 17.5% of the savings (\$3.8 million) and the other taxing agencies will share the remaining 82.5% (\$18.1 million).

The remaining bonded debt obligations as of January 1, 2016, of the former Agency are shown in the table below.

	Original Principal	Outstanding Principal	Final Maturity
2007 Refunding Bonds	\$ 10,755,000	\$ 9,900,000	2030
2007 Series A Bonds	7,370,000	3,985,000	2022
2009 Series A Bonds	55,970,000	53,470,000	2036
2010 Bonds	18,500,000	17,850,000	2036
2011 Series A Bonds	11,315,000	9,505,000	2027
2011 Series B Bonds	5,595,000	5,240,000	2036

Upon review of the remaining outstanding obligations, it has been determined that refinancing of the 2009 Series A Bonds is in the best interest of the Successor Agency and that the statutory prerequisites can be met if the refinancing is approved. Additionally, the Staff costs related to refunding proceedings can be recovered as authorized by the RDA Dissolution Act.

Final approval authority for any refinancing resides with the Santa Cruz County Redevelopment Successor Agency Oversight Board (Oversight Board) and the Department of Finance (DOF).

Refunding Analysis

The 2009 Series A Bonds can be refinanced at the present time and provide debt service savings to the Successor Agency. These savings will increase the amount of "residual" property tax (or tax increment) available to pay existing enforceable obligations of the Successor Agency or be redistributed to other taxing agencies.

The other debt issues of the former Agency were reviewed for refinancing potential, but due to either interest rate or available call dates, they did not meet the statutory refinancing requirements of CRL. Staff will continue to monitor the potential for refinancing the other outstanding series of Agency bonds.

The 2009 Bonds were issued on a tax-exempt basis. Based on current interest rates for tax-exempt bonds, the Successor Agency can refinance the 2009 Bonds at an average interest cost of approximately 3.6%, compared to the average rate on the bonds to be refunded of 6.9%. After the refinancing, the Successor Agency would reduce the requested funding from the Redevelopment Property Tax Trust Fund for debt service by an estimated \$15.3 million through 2036 (final maturity). This represents a 14.5% reduction in net debt service over 20 years. The total \$16.4 million reduced net debt service would generate more residual balance available to pay enforceable obligations of the Successor Agency and to distribute to other taxing entities in furtherance of the goals of redevelopment agency dissolution legislation. The County's share of the increased residual is approximately \$2.9 million (17.5%), with the \$13.5 million balance of the residual going to the other taxing agencies.

The bonds are expected to carry the Successor Agency's current "A" Standard & Poor's

credit rating. The Successor Agency will apply for bond insurance to achieve the lower interest rate used in the estimated savings analysis attached hereto.

The Dissolution Act has added a number of steps to the traditional refinancing process, and requires more time to actually get the bonds to market. If your Board takes the recommended action and adopts the resolution authorizing the refinancing of the bonds, the Oversight Board will be presented with a companion resolution approving the action taken by your Board. This Oversight Board action must be submitted to and approved by the DOF for conformity with the debt service savings provisions of the RDA Dissolution Act. DOF can take up to 65 days from the time the Oversight Board resolution is submitted to approve the financing.

Based on an Oversight Board approval at the end of March, staff anticipates the bonds would be sold in June 2016.

Between the time that the refinancing is approved by the Successor Agency and the time that the Successor Agency can actually enter the market to sell the refunding bonds, interest rates could increase, and debt service savings may be reduced. Therefore, the reduced net debt service of \$16.4 million is an estimate at this time.

The County has an informal policy of achieving a minimum 4% savings when refunding outstanding bonds. If the savings are below 4% by the time the Successor Agency can enter the market, the refinancing of the 2009 Bonds will be put on hold until interest rates return to a level where the savings criteria can be met.

Sale of the Bonds

The table below provides the estimated size of the Bonds including funding of the escrow for the 2009 Bonds, bond insurance and costs of issuance.

Refunding Escrow	\$ 64,380,000
Cost of Issuance	375,000
Underwriter's Discount	315,000
Bond Insurance	582,000
Surety Bond	<u>237,000</u>
Total Costs	65,889,000
Less Funds on Hand	(5,597,000)
Less Original Issue Bond	<u>(7,992,000)</u>
Premium	
Net Bond Issue	\$ 52,300,000

The repayment is scheduled to occur over the same term as the existing bonds (20 years), with no extension past the original maturity date of the 2009 Bonds.

The debt service reserve fund will be funded with a surety bond in lieu of a cash deposit, so the Successor Agency will need to borrow less than it otherwise would. A surety bond is a separate insurance policy issued by bond insurers.

Rutan & Tucker, LLP will act as the Successor Agency bond counsel and Quint & Thimmig LLP will act as disclosure counsel for the issue. Harrell & Company Advisors, LLC will provide financial advisory services for the bonds as required by RDA Dissolution Act.

The Successor Agency's Financial Advisor is recommending the bonds be sold through a negotiated sale with a specific underwriting firm (investment banking firm). The County's general practice is to sell bonds and notes using a competitive sale to guarantee the lowest interest rates. However, the issuance of tax allocation bonds post-dissolution is still a relatively complicated financing mechanism and investors need to be educated on the pledge of Redevelopment Property Tax Trust Fund (RPTTF) in lieu of tax increment funds, the lien priority of payments, the risks associated with Recognized Obligation Payment Schedule (ROPS) and the DOF approval process, and other post-dissolution processes. Therefore lower interest rates will be obtained by negotiating with a pre-selected underwriting firm which can focus its resources on selling the bonds to their investors at the best rates.

The Financial Advisor solicited bids for underwriting services for the refunding bonds from Piper Jaffray & Co., Hilltop Securities, Stifel Nicholas and Raymond James - four underwriters who are very active in the issuance of tax allocation bonds post-dissolution. The proposed fees by each of the four firms were between 0.2965% and 0.448% of the par amount of bonds to be issued. The proposal from Stifel, Nicolaus & Company, Inc. (Stifel) with a fee of 0.2965%, was determined to best meet the Successor Agency's needs. When the refunding bonds are sold, the Financial Advisor will review the interest rates proposed by Stifel to make certain that the interest rates on the Successor Agency refunding bonds are appropriate given market conditions and the

credit rating assigned to the issue.

Authorizing Resolutions

In order to authorize the issuance of the refunding bonds, your Board, acting as the Santa Cruz County Redevelopment Successor Agency, and elsewhere on today's agenda as the County of Santa Cruz, are being presented with resolutions for consideration.

The Successor Agency resolution authorizes the sale of a principal amount refunding bonds not-to-exceed \$60 million, with a minimum savings requirement of 4%. The Successor Agency resolution also approves the following documents, in draft form:

- Indenture of Trust between the Successor Agency and The Bank of New York Mellon Trust Company (BNY), as Trustee,
- Escrow Deposit and Trust Agreement among the Successor Agency and BNY, as Escrow Bank,
- Bond Purchase Agreement between the Successor Agency and Stifel, as Underwriter,
- Preliminary Official Statement, and
- Continuing Disclosure Certificate (form included in the Preliminary Official Statement).

The Successor Agency resolution will also approve the distribution of the Preliminary Official Statement.

The County resolution affirms the existing subordination that is in place with respect to the bonds being refunded relating to the County's agreement to subordinate receipt of its share of tax increment under Section 33676 of the California Redevelopment Law to debt service on all the Successor Agency Bonds and all former Agency bonds.

The subsequent Oversight Board resolution to approve the action taken by the Successor Agency Board will be placed on the March 29, 2016 Oversight Board agenda.

Recommendation

It is RECOMMENDED that your Board acting as the Board of Supervisors of the Santa Cruz County Redevelopment Successor Agency, adopt the attached resolution.

Submitted by:

Attachments:

Resolution
Debt Service Savings Analysis
Indenture of Trust
Escrow Deposit and Trust Agreement

Bond Purchase Agreement
Preliminary Official Statement

cc:

Auditor-Controller, Harrell & Company Advisors LLC, Quint & Thimmig LLP, Rutan & Tucker LLP, County Counsel, Redevelopment Successor Agency

RESOLUTION NO. _____

On Motion of Supervisor _____, duly seconded by Supervisor _____

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY AUTHORIZING THE ISSUANCE OF TAX ALLOCATION REFUNDING BONDS, 2016 SERIES A, TO REFUND BONDS OF THE FORMER SANTA CRUZ COUNTY REDEVELOPMENT AGENCY, APPROVING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST, AN ESCROW AGREEMENT, A BOND PURCHASE AGREEMENT AND A PRELIMINARY OFFICIAL STATEMENT AND PROVIDING OTHER MATTERS RELATING TO THE ISSUANCE OF THE REFUNDING BONDS

WHEREAS, the Santa Cruz County Redevelopment Agency (the "Prior Agency") was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with section 33000) of the California Health and Safety Code) (the "Law"), and the powers of the Prior Agency included the power to issue bonds for any of its corporate purposes; and

WHEREAS, a redevelopment plan for a redevelopment project known and designated as the Live Oak/Soquel Community Improvement Project Area (the "Redevelopment Project") has been adopted and approved by Ordinance No. 3836 of the Board of Supervisors (the "Board") of the County of Santa Cruz (the "County"), and all requirements of the Law for and precedent to the adoption and approval of the Redevelopment Project have been duly complied with; and

WHEREAS, in order to finance redevelopment activities of the Prior Agency, the Prior Agency has issued its Tax Allocation Bonds, 2009 Series A (Live Oak/Soquel Community Improvement Project Area), which are currently outstanding (the "2009A Bonds" or "Prior Bonds"); and

WHEREAS, section 34177.5 of the Law authorizes the issuance by the Santa Cruz County Redevelopment Successor Agency (the "Successor Agency") of refunding bonds pursuant to Article 11 (commencing with section 53580) of Chapter 3, of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law") for the purpose of achieving debt service savings within the parameters set forth in section 34177.5(a)(1) of the Law (the "Savings Parameters"); and

WHEREAS, the Successor Agency has now determined that, due to prevailing financial market conditions, it is in the best interests of the Successor Agency at this time to refinance redevelopment activities of the Prior Agency by means of the issuance of its Tax Allocation Refunding Bonds, 2016 Series A (the "Refunding Bonds") and use of the proceeds of the Refunding Bonds to refund the Prior Bonds, all under the provisions of section 34177.5 of the Law and the Refunding Law; and

WHEREAS, the Successor Agency has determined, based on current conditions in the municipal bond market, that it will achieve debt service savings in compliance with the Savings Parameters as evidenced by the analysis prepared by its financial advisor, Harrell & Company, Advisors, describing potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the refunding of the Prior Bonds (the "Debt Service Savings Analysis"); and

WHEREAS, the Debt Service Savings Analysis has demonstrated that a refunding of the Prior Bonds will satisfy the Savings Parameters; and

WHEREAS, the Successor Agency has duly considered the above-described transactions and wishes at this time to authorize the issuance and sale of the Refunding Bonds; and

WHEREAS, pursuant to section 34179 of the Law, an oversight board (the "Oversight Board") has been established for the Successor Agency and the Successor Agency has requested that the Oversight Board approve the issuance of the Refunding Bonds by the Successor Agency, as authorized by section 34177.5(f) of the Law and the Indenture.

NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

Section 1. Determination of Savings. The Successor Agency has determined that there are significant potential savings available to the Successor Agency and to applicable taxing entities in compliance with the Savings Parameters by the issuance by the Successor Agency of the Refunding Bonds to provide funds to refund the Prior Bonds, all as evidenced by the Debt Service Savings Analysis (Attachment 2), which Debt Service Savings Analysis is hereby approved.

Section 2. Approval of Issuance of the Refunding Bonds. The Successor Agency hereby authorizes and approves the issuance of the Refunding Bonds pursuant to the Law and the Refunding Law in the aggregate principal amount of not to exceed \$60,000,000 for the purpose of providing funds to refinance the Prior Bonds in whole or in part. The Successor Agency further authorizes the sale of the Refunding Bonds, provided that the Refunding Bonds shall bear interest at such rates and shall be sold at such a price so as to achieve the Savings Parameters required to be met by section 34177.5(a)(1) of the Law.

Section 3. Indenture of Trust. The Successor Agency hereby approves an indenture of trust prescribing the terms and provisions of the Refunding Bonds and the application of the proceeds of the Refunding Bonds (the "Indenture") in the form of Attachment 3, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer shall approve, such approval to be conclusively evidenced by the execution and delivery of the Indenture. Each of the Chairperson of the Board of Supervisors, as the presiding officer of the Successor Agency, the County Administrative Officer of the County, as the chief administrative officer of the Successor Agency or the Assistant County Administrative Officer of the County, as the assistant chief administrative officer of the Successor Agency (each, an "Authorized Officer"), is hereby authorized and directed to execute and deliver, and the Clerk of the Board of the Successor Agency, is hereby authorized and directed to attest to, the Indenture for and in the name and on behalf of

the Successor Agency, The Successor Agency hereby authorizes the delivery and performance of the Indenture.

Section 4. Issuance in Separate Series. The Refunding Bonds may be issued as a single issue, or from time to time in separate series, as the Successor Agency shall determine. The approval of the issuance of the Refunding Bonds by the Successor Agency and by the Oversight Board shall constitute the approval of each and every separate series of Refunding Bonds, without the need for any further approval from the Oversight Board, provided that each such separate series of Refunding Bonds complies with the Saving Parameters required to be met by Section 34177.5(a)(1) of the Law.

Section 5. Escrow Agreement. The Successor Agency hereby approves an escrow agreement prescribing the provisions for refunding the Prior Bonds (the "Escrow Agreement") in the forms in Attachment 4, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer shall approve, such approval to be conclusively evidenced by the execution and delivery of the Escrow Agreement. Each Authorized Officer is hereby authorized and directed to execute and deliver, and the Clerk of the Board of the Successor Agency, is hereby authorized and directed to attest to, the Escrow Agreement for and in the name and on behalf of the Successor Agency, The Successor Agency hereby authorizes the delivery and performance of the Escrow Agreement.

Section 6. The Successor Agency hereby approves the sale of the Refunding Bonds to Stifel, Nicolaus & Company, Incorporated (the "Underwriter") pursuant to and in accordance with a bond purchase agreement (the "Bond Purchase Agreement") in the form in Attachment 5, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer shall approve, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement. Each Authorized Officer is hereby authorized and directed to, for and in the name of the Successor Agency, sell the Refunding Bonds to the Underwriter and to execute and deliver the Bond Purchase Agreement, subject to the terms and conditions of the Bond Purchase Agreement; provided however, that the principal amount of the Refunding Bonds shall not exceed \$60,000,000, that the Refunding Bonds shall bear interest at such rates so as to (1) achieve the Savings Parameters required to be met by Section 34177.5(a)(1) of the Law and (2) achieve a net present value savings amount generated from the issuance of the Refunding Bonds, expressed as a percentage of the principal amount of the Prior Bonds, of at least 4%, and the Underwriter's discount shall not exceed 1% of the par amount of the Refunding Bonds, excluding original issue discount.

Section 7. A preliminary official statement relating to the Refunding Bonds, in the form submitted at this meeting (the "Preliminary Official Statement"), is hereby approved. Each Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to cause the Preliminary Official Statement in said form, with such additions or changes therein as the Authorized Officer may approve, to be deemed final for the purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934 ("Rule 15c2-12"). The Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the Refunding Bonds, together with such additions thereto and changes therein as are determined necessary by an Authorized Officer to make the Preliminary Official Statement final as of its date for purposes of Rule 15c2-12, including, but not limited to, such additions and changes as are necessary to make all information set forth therein accurate and not misleading.

Section 8. The preparation and delivery of a final official statement (the “Official Statement”), and its use by the Successor Agency and the Underwriter, in connection with the offering and sale of the Refunding Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be requested by Bond Counsel or the Underwriter and approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. Each Authorized Officer is hereby authorized and directed to execute the Official Statement and any amendment or supplement thereto, in the name of and on behalf of the Successor Agency, and thereupon to cause the Official Statement and any such amendment or supplement to be delivered to the Underwriter.

Section 9. The form of a continuing disclosure certificate in the form appended to the Preliminary Official Statement and made a part hereof as though set forth in full herein (the “Continuing Disclosure Certificate”), is hereby approved. Each Authorized Officer is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate in the form appended to the Preliminary Official Statement with such changes insertions and omissions as may be requested by Bond Counsel and approved by an Authorized Officer, said execution being conclusive evidence of such approval.

Section 10. Filing of this Resolution. The Clerk of the Board of the Successor Agency is hereby authorized and directed to file a certified copy of this Resolution with the Oversight Board, together with the Debt Service Savings Analysis, and, as provided in Section 34180(j), with the County Administrative Officer, the County Auditor-Controller- Treasurer-Tax Collector and the California Department of Finance.

Section 11. Oversight Board Approval of the Issuance of the Refunding Bonds. The Successor Agency hereby requests that the Oversight Board approve the issuance, sale and delivery of the Refunding Bonds pursuant to this Resolution and the Indenture, as above described.

Section 12. Determinations by the Oversight Board. The Successor Agency requests that the Oversight Board make the following determinations upon which the Successor Agency will rely in undertaking the refunding proceedings and the issuance, sale and delivery of the Refunding Bonds:

(a) The Successor Agency is authorized, as provided in section 34177.5(f) of the Law, to recover its costs related to the issuance of the Refunding Bonds from the proceeds of the Refunding Bonds, including the cost of reimbursing the County for administrative staff time spent with respect to the authorization, issuance, sale and delivery of the Refunding Bonds;

(b) The application of proceeds of the Refunding Bonds by the Successor Agency to the refunding and defeasance of the Prior Bonds, as well as to the payment by the Successor Agency of all costs of issuance of the Refunding Bonds, as provided in section 34177.5(a) of the Law, shall be implemented by the Successor Agency promptly upon sale and delivery of the Refunding Bonds, and, notwithstanding section 34177.3 of the Law or any other provision of law to the contrary, no further approval of the Oversight Board, the California Department of Finance, the County Auditor-Controller-Treasurer-

Tax Collector or any other person or entity other than the Successor Agency shall be required; and

(c) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under section 34181(a)(3) of the Law without any deductions with respect to continuing costs related to the Refunding Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to section 34183 of the Law. In addition and as provided by section 34177.5(f) of the Law, if the Successor Agency is unable to complete the issuance of the Refunding Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings from such property tax revenues pursuant to section 34183 of the Law without reduction in its Administrative Cost Allowance.

Section 13. Appointments. The appointments of Harrell & Company Advisors, LLC as Financial Advisor, Rutan & Tucker LLP, as bond counsel, and Quint & Thimmig LLP, as disclosure counsel, are hereby confirmed to act on behalf of the Successor Agency for purposes of the proceedings for the issuance, sale and delivery of the Refunding Bonds.

Section 14. Official Actions. The Authorized Officers and any and all other officers of the Successor Agency and the County are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in obtaining the requested approvals by the Oversight Board and the California Department of Finance and to implement the sale and delivery of the Refunding Bonds to the Underwriter. Whenever in this Resolution any officer of the Successor Agency is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 15. All actions heretofore taken by the officers and agents of the Successor Agency of the County with respect to the issuance of the Refunding Bonds are hereby approved, confirmed and ratified. The Authorized Officers, the County Auditor-Controller-Treasurer-Tax Collector as the treasurer of the Successor Agency, the County Counsel as general counsel of the Successor Agency, the Clerk of the Board of the Successor Agency and any and all other officers of the Successor Agency are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, including requisitions for the payment of costs of issuance of the Refunding Bonds, agreements, including agreements in customary form providing for the investment of the proceeds of the Refunding Bonds, notices, consents, and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the sale, issuance and delivery of the Refunding Bonds to the Underwriter.

Section 16. California Department of Finance Approval. Notwithstanding anything herein to the contrary, the Refunding Bonds shall not be issued or sold unless and until the California Department of Finance issues its letter approving the related Oversight Board Resolution.

Section 18. Effective Date. This Resolution shall take effect from and after its passage and adoption.

IN WITNESS WHEREOF, this Resolution is adopted and approved the 22nd day of March, 2016.

Ayes:

Noes:

Absent:

Chairperson of the Santa Cruz County
Redevelopment Successor Agency

(SEAL)

ATTEST:

Clerk of the Board of the Santa Cruz County
Redevelopment Successor Agency

APPROVED AS TO FORM:



Bond Counsel