

Oversight Board for Successor Agency
to the City of Santa Clara
Redevelopment Agency



Date: September 16, 2014
To: Oversight Board for Action
From: City Manager/Executive Officer to Successor Agency
Subject: Resolution Regarding Unspent Bond Proceeds

EXECUTIVE SUMMARY:

The County representatives to the Oversight Board (Member Guthrie and Member Cauble) have placed on the agenda a resolution requiring the Successor Agency to redeem unspent bond proceeds. The Staff report accompanying the resolution discusses 1999 Bond Proceeds, 2003 Bond Proceeds and 2011 Bond Proceeds and states that redemption/defeasance of the bond proceeds will be in the best interest of the taxing entities. The Successor Agency received the proposed resolution and staff report three working days prior to the date for the agenda and supporting documents to be transmitted to the Board. The Successor Agency has not had sufficient time to prepare information for the Oversight Board on the financial impact of the proposed action. The Successor Agency is proposing an alternative resolution directing the Successor Agency to obtain a redemption/defeasance plan from its fiscal advisor that would provide information to the Successor Agency and the Oversight Board on the implications of redeeming or defeasing the bonds as well as the cost savings, if any, associated with such a plan. Because of the short notice on this request, the Successor Agency was not able to prepare this type of information for the Oversight Board's consideration.

BACKGROUND AND ANALYSIS:

The Report from Board Member Guthrie indicates that the Successor Agency is holding 1999, 2003 and 2011 bond proceeds, however, the only bond proceeds being held by the Successor Agency are the 1999 Bond proceeds and the 2011 Bond proceeds. All of the 2003 bond proceeds have been spent. The County report states that the 1999 bonds can be redeemed at any time but the Successor Agency has not had the opportunity to verify this information. It should also be noted that pursuant to Health and Safety Code Section 34177(i), bond proceeds are to be used for the purposes for which the bonds were sold unless that purpose can no longer be achieved. Section 34191(c) provides that after a successor agency receives a finding of completion, bond proceeds from bonds issued on or before December 31, 2010 shall be used for the purposes for which the bonds were sold. The Successor Agency has not examined whether the purposes for which the bonds were sold can be achieved and has not determined whether those purposes will be in the best interest of the taxing entities.

The 2011 Bonds were issued by the former RDA as part of a long contemplated financing. The issuance of these bonds was included in the Stadium Term Sheet that was approved by the voters of Santa Clara as a means of mitigating any financial impact of the Stadium on the Agency by providing funds for the former RDA to complete projects unrelated to the Stadium. As Board Member Guthrie's Agenda Report acknowledges, these bonds cannot be redeemed until 2021. Until that time it is not clear whether defeasance of the bonds is in the best interest of the taxing entities without a defeasance plan. These proceeds are already held in trust by the Successor Agency's Fiscal Agent, The Bank of New York Mellon Trust Company, N.A. (BNY Mellon). Additionally, legislation is currently pending

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on the Governor's desk that would allow, in limited circumstances, the expenditure of 2011 bond proceeds. The requirements for the expenditure of 2011 bond proceeds include requirements that the Oversight Board approve the expenditures and that the expenditures are consistent with the sustainable communities plan. The Successor Agency has not determined whether the 2011 Bond Proceeds would meet the conditions set forth in this proposed legislation. However, if the legislation is signed by the Governor, there may be an option to use these bond proceeds in a manner that would be more beneficial to the taxing entities than a defeasance plan. Since the legislation has to be signed by the end of the month, delaying the Oversight Board action until after the fate of this legislation is determined would provide the Oversight Board with full information on the best options for the taxing entities.

Finally, the bond proceeds are one of the matters to be considered in the *Sharma v. Successor Agency* matter currently pending in the Sacramento Superior Court. The hearing on that matter is scheduled for October 31, 2014. The outcome of that hearing might determine future actions regarding the unspent bond proceeds. Currently the bond proceeds are the subject of the preliminary injunction and are being held pending the outcome of that litigation. In addition, the City and the Successor Agency are also meeting with taxing agencies regarding settlement of all dissolution issues and any such settlement may involve the bond proceeds.

FISCAL IMPACT:

The Successor Agency cannot provide any information to the Oversight Board on Board Member Guthrie's proposed action with regards to the costs of defeasing the bonds, the savings to the taxing entities, if any, and whether there are obstacles to the County proposal without consulting with its Bond Counsel and Financial Advisor. The Successor Agency proposal to direct the Successor Agency to obtain the required information so that the Oversight Board can make an informed decision with information to support its findings would allow the Successor Agency to provide the Oversight Board with information on the financial considerations of the proposed action.

RECOMMENDATION:

That the Oversight Board adopt a resolution directing the Successor Agency to obtain a defeasance/redemption plan for the unspent bond proceeds and such other information as deemed necessary by the Successor Agency in order to provide the Oversight Board with sufficient information in order to determine the appropriate use of the unspent bond proceeds.



Julio J. Fuentes

City Manager/Executive Officer to Successor Agency

Documents Related to this Report:

- 1) *Resolution*

RESOLUTION NO. 2014 - ____ (OVERSIGHT BOARD)

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA DIRECTING THE SUCCESSOR AGENCY TO OBTAIN A DEFEASANCE/REDEMPTION PLAN AND SUCH OTHER INFORMATION AS IS NECESSARY TO PROVIDE THE OVERSIGHT BOARD WITH THE FINANCIAL IMPACTS OF DEFEASING THE UNSPENT BOND PROCEEDS AND TO PROVIDE THE OVERSIGHT BOARD WITH THAT INFORMATION AT ITS NEXT MEETING

WHEREAS, the California state legislature enacted Assembly Bills 1x 26 and 1484 to dissolve and unwind the affairs of redevelopment agencies formed under the Community Redevelopment Law (Health and Safety Code Section 33000 et seq.);

WHEREAS, the City Council of the City of Santa Clara (the "City Council") declared that the City of Santa Clara, acting in a separate legal capacity and as a separate public entity pursuant to Health and Safety Code Section 34173(g), will act as successor agency (the "Successor Agency") for the dissolved Redevelopment Agency of the City of Santa Clara (the "Dissolved RDA") effective February 1, 2012;

WHEREAS, an oversight board for the Successor Agency (the "Oversight Board") has been established and is functioning in accordance with Health and Safety Code Section 34179;

WHEREAS, Health and Safety Code Section 34179(c) authorizes the Oversight Board to direct the Successor Agency staff to perform work in furtherance of the Oversight Board's duties and responsibilities under the Dissolution Law;

WHEREAS, prior to its dissolution, the Dissolved RDA issued bonds to finance redevelopment activities including bonds issued in 1999 and 2011;

WHEREAS, the Successor Agency is now holding unspent bond proceeds from the 1999 Bond

issuance and the 2011 bond issuance;

WHEREAS, Health and Safety Code Section 34177(i) directs the Successor Agency to use bond proceeds for the purposes for which the bonds were sold unless the purposes cannot be achieved, in which event the bond proceeds may be used to defease the bond; and,

WHEREAS, the Successor Agency would like to provide the Oversight Board with information on the financial impacts of the Successor Agency defeasing or redeeming the unspent bond proceeds as well as possible uses for the unspent bond proceeds that could benefit the taxing entities so that the Oversight Board can make an informed decision on the use of the unspent bond proceeds that results in such use providing the greatest benefit to the taxing entities.

NOW, THEREFORE, BE IT FURTHER RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY FOR THE CITY OF SANTA CLARA REDVELOPMENT AGENCY AS FOLLOWS:

SECTION 1. The foregoing recitals are true and correct.

SECTION 2. The Oversight Board hereby directs the Successor Agency to obtain a defeasance / redemption plan for the unspent bond proceeds including any information regarding the requirements for redeeming or defeasing the unspent bond proceeds as well as information on potential uses for the unspent bond proceeds that would be consistent with the purposes for which the bonds were issued and to provide that information as well as any other information the Successor Agency deems necessary for the Oversight Board to determine the appropriate use of the unspent bond proceeds consistent with the Dissolution Statutes and in the best interest of the taxing entities. The Successor Agency is directed to have this information available for the Oversight Board at its next meeting.

SECTION 3. The Successor Agency is hereby directed to notify the Department of the actions set forth in this Resolution in accordance with Health and Safety Code Sections 34179(h) and Section 34181(f).

SECTION 4. This Resolution shall take effect at the time and in the manner prescribed in Health and Safety Code Section 34179(h).

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA, CALIFORNIA, AT A SPECIAL MEETING THEREOF HELD ON THE 19TH DAY OF SEPTEMBER, 2014, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:
NOES:	BOARD MEMBERS:
ABSENT:	BOARD MEMBERS:
ABSTAINED:	BOARD MEMBERS:

APPROVE:

Don Gage
Chairperson

ATTEST:

Jennifer Yamaguma
Clerk to the Oversight Board