

Meeting Date:

2/27/15

AGENDA REPORT

Agenda Item #

SA

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



Date: February 26, 2015

To: City Manager/Executive Officer for Oversight Board Action

From: Director of Finance/Assistant City Manager

Subject: Unspent 1999 and 2011 Bond Proceeds Per Oversight Board Resolution 2015-01

EXECUTIVE SUMMARY

At its September 19, 2014 meeting, the Oversight Board approved Resolution No. 2014-03 directing the Successor Agency to use unspent bond proceeds held by the Successor Agency to defease/redeem outstanding bonds issued by the Redevelopment Agency. The California Department of Finance (DOF) reviewed Resolution No. 2014-03 pursuant to Health and Safety Code Section 34179(h) and did not approve it, specifically stating that it "...did not include the Agency in this process."

On February 2, 2015, the Oversight Board approved Resolution No. 2015-01 addressing the DOF's concerns by directing the Successor Agency to prepare a defeasance plan for Oversight Board review on or before February 27, 2015. The DOF reviewed this resolution and approved it on February 10, 2015.

Staff have worked with Financial Advisor (KNN Public Finance) and Bond Counsel (Jones Hall) to prepare a plan for the partial defeasance of the 2011 Tax Allocation Bonds and the possible redemption of a portion of the outstanding 1999 Tax Allocation Bonds. This Agenda Item presents the results of that effort.

BACKGROUND AND ANALYSIS:

The 2011 Tax Allocation Bonds were issued in May 2011 and are not callable until 2021. The remaining bond proceeds currently total a little over \$25.0 million. In consultation with the Financial Advisor and Bond Counsel, these bond proceeds could be used along with about \$1.7 million that would come from the release of monies from the debt service reserve fund to establish an irrevocable escrow account with the Fiscal Agent (Bank of New York Mellon Trust Company, N.A.). The monies would be invested in Federal Securities generating a currently estimated additional amount of \$2.2 million over the remaining life of the bonds. The proceeds of the escrow account would be sufficient to pay about 57% of the annual debt service on the bonds generating an estimated overall savings to the taxing entities of approximately \$34.4 million over the remaining live of the bonds. The first attachment is the Plan of Defeasance developed by KNN Public Finance with detailed attachments outlining the specifics on the defeasance. The second attachment is a form of the Escrow Agreement from Jones Hall. The third attachment is the draft Resolution No. 2015-02 directing the Successor Agency to partially defease the 2011 bonds.

The 1999 Tax Allocation Bonds are callable and the process would be much simpler to redeem them. However, 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 examined whether the purposes for which the bonds were sold can still be achieved and determined that they can. Therefore, the Successor Agency is not willing to give up its rights.

However, the Successor Agency would consider the immediate call of bonds using the remaining unencumbered 1999 bond proceeds if the City would receive a like dollar credit toward any monies that it ultimately owes as part of the dissolution process (e.g., as a credit toward the amount owed on the Other Funds Due Diligence Review). This would benefit the taxing entities two ways, they would save about \$3.8 million in interest through the call/redemption of the bonds and the concerns raised by Board Member Guthrie would be immediately mitigated. The process would be relatively simple, once the City received credit, the Successor Agency would wire the remaining unencumbered bonds to the Fiscal Agent with the direction to call as many bonds as possible. Once called, the amount of annual debt service would be reduced resulting in additional residual monies that would be distributed to all taxing entities.

ECONOMIC/FISCAL IMPACT:

Defeasance or redemption of the 2011 Tax Allocation Bonds would result in an increase in net revenues to the affected taxing entities. Annual bond debt service payments are paid out of property tax funds from the RPTTF and are listed on each ROPS. KNN Public Finance has estimated that the nominal dollar savings would be approximately \$34.4 million over the remaining life of the bonds (i.e., the defeasance escrow account would be able to pay about 57% of the annual debt service payments resulting in additional residual RPPTF monies that would be distributed to the taxing entities each year).

For the 1999 Tax Allocation Bonds, the Successor Agency has determined that the purposes for which the bonds were issued can still be achieved. Therefore, the Successor Agency is not willing to use the remaining bond proceeds to call bonds. However, the Successor Agency is willing to give up its right to use the remaining proceeds and immediately call bonds if the City receives a dollar-for-dollar credit for the amount of principal called as part of a compensation or settlement agreement. The taxing entities would benefit from this action in two ways. First there would be an estimated \$3.8 million of interest savings generated from the call of the remaining unencumbered bond proceeds (currently totaling \$11.1 million). Second, the call of the bonds would reduce or possibly eliminate the risks that Board Member Guthrie has raised at previous meetings.

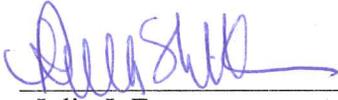
RECOMMENDATION:

That the Oversight Board approve Resolution 2015-02 directing the Successor Agency to enter into an irrevocable Escrow Agreement using the remaining 2011 Tax Allocation Bond proceeds along with the release of monies from the debt service reserve fund and interest earnings on these amounts to partially defease the 2011 bonds.



Gary Ameling
Director of Finance/Assistant City Manager

APPROVED:



Julio J. Fuentes
City Manager/Executive Officer to Successor Agency

Documents Related to this Report:

- 1) *Plan of Defeasance for 2011 TAB Proceeds (KNN Public Finance)*
- 2) *Plan of Possible Redemption for 1999 TAB Proceeds (KNN Public Finance)*
- 3) *Form of Escrow Agreement (Jones Hall)*
- 4) *Draft Resolution No. 2015-02 (Oversight Board)*



Date: February 25, 2015

To: Gary Ameling
Finance Director, City of Santa Clara

From: David Brodsky
KNN Public Finance

Re: Plan of Defeasance for 2011 TAB Proceeds

We understand the Successor Agency of the Redevelopment Agency of the City of Santa Clara has been directed to prepare a plan to defease outstanding tax allocation bonds with unspent proceeds. Under a defeasance, funds are placed in an escrow to pay debt service until the first optional call date, and then used to call outstanding bonds. This memo discusses the defeasance of a portion of the Successor Agency's 2011 Tax Allocation Bond (TAB) issue. We understand that there has also been a proposal to use unspent 1999 proceeds in a similar manner, in that case, to redeem bonds that are now callable. Execution of this use of 1999 proceeds would be much simpler.

We have assumed in our analysis that \$25,000,000 remains available. We have assumed that up to \$30,000 in expenses would be incurred for legal, escrow agent, verification, and structuring fees, and that the defeasance would allow for the release of \$1,677,025 from the debt service reserve fund, which would also be used to defease bonds. These funds would be held by the 2011 trustee, Bank of New York Mellon, under the terms of an escrow agreement. Funds would be invested in federal Treasury securities. The exact amount of bonds to be defeased will depend on Treasury rates at the time the escrow is funded. We have also assumed that bonds would be selected for defeasance so that debt service would be reduced each year on pro-rata basis throughout the remaining term of the bonds; this is consistent with the advice received from Jones Hall, the City's bond counsel. Based on relatively recent reinvestment rates and under these assumptions, approximately \$17.3 million in the outstanding par amount of bonds could be defeased, reducing future debt service by \$34.4 million. Approximately \$13 million in 2011 TABs would remain outstanding.

Attachment 1 to this memo summarizes the defeasance, including the specific bonds defeased and the defeasance escrow. Attachment 2 is a more detailed report, using our bond sizing software, and provides additional information on the escrow and the assumed investments (based on market conditions of late January), the escrow cashflows, the debt service reduction from the defeasance, and the debt service on the remaining bonds. Jones Hall, who has served as the City's and Redevelopment Agency's bond counsel, has prepared a draft of the escrow agreement.

Attachment 1

SANTA CLARA - Defeasance of 2011 TABs from Unspent Proceeds

Unspent 2011 TAB Proceeds	25,000,000	
Reserve Fund Release (1)	<u>1,677,025</u>	(1) Based on the lower reserve requirement resulting from the defeasance
Total Amount Available	26,677,025	
Less: Execution Costs (2)	<u>(30,000)</u>	(2) Conservative estimate for legal, FA, trustee / escrow agent, and any other incidental fees
Net Amount Available	26,647,025	
Defeasance Escrow Cost (3)	26,644,123	(3) Assumes escrow funded with SLGS (rates of Jan 22, 2015) on Mar 3, 2015

SUMMARY OF DEFEASED AMOUNTS

Bond Type	Maturity Date	Interest / Accr Rate	Par Amount *	Value At Maturity	Value At Redemption	Redemption Date
CAB	06/01/15	4.75%	682,597	825,000	-	
CAB	06/01/16	5.10%	632,424	815,000	-	
CAB	06/01/17	5.50%	940,540	1,305,000	-	
CAB	06/01/18	5.87%	798,708	1,200,000	-	
CAB	06/01/19	6.20%	673,431	1,100,000	-	
CAB	06/01/20	6.50%	558,205	995,000	-	
CAB	06/01/21	6.75%	451,986	880,000	-	
CAB	06/01/22	7.15%	350,026	760,000	708,434	06/01/21
CAB	06/01/23	7.35%	268,454	640,000	553,965	06/01/21
CAB	06/01/24	7.55%	2,776,185	7,295,000	5,840,742	06/01/21
CAB	06/01/25	7.74%	2,462,532	7,150,000	5,276,915	06/01/21
CAB	06/01/26	7.86%	224,317	715,000	486,286	06/01/21
Current Interest	06/01/26	5.75%	6,470,000	6,470,000	6,470,000	06/01/21

* for CABs, amount shown represents initial principal amount

ESCROW REQUIREMENTS

Period Ending	Principal (CABs)	Accreted Interest (CABs)	Current Interest (CIBs)	Principal Redeemed (CABs +	Accreted Interest (CABs)	Total
06/01/15	682,597	142,403	186,013	-	-	1,011,013
12/01/15	-	-	186,013	-	-	186,013
06/01/16	632,424	182,576	186,013	-	-	1,001,013
12/01/16	-	-	186,013	-	-	186,013
06/01/17	940,540	364,460	186,013	-	-	1,491,013
12/01/17	-	-	186,013	-	-	186,013
06/01/18	798,708	401,292	186,013	-	-	1,386,013
12/01/18	-	-	186,013	-	-	186,013
06/01/19	673,431	426,569	186,013	-	-	1,286,013
12/01/19	-	-	186,013	-	-	186,013
06/01/20	558,205	436,795	186,013	-	-	1,181,013
12/01/20	-	-	186,013	-	-	186,013
06/01/21	451,986	428,014	186,013	12,551,514	6,784,827	<u>20,402,353</u>
						28,874,503

ATTACHMENT 2

CITY OF SANTA CLARA -BAYSHORE NORTH PROJECT AREA

DEFEASANCE OF 2011 TABS FROM \$25 MILLION IN UNSPENT PROCEEDS

DETAILED DEFEASANCE ANALYSIS

SUMMARY OF BONDS DEFEASED

**City of Santa Clara -Bayshore North Project Area
 Defeasance of 2011 TABs from \$25 Million in Unspent Proceeds**

Bond	Maturity Date	Interest Rate	Par Amount	Value on Mar 2, 2015	Value at Redemption	Call Date	Call Price
Redevelopment Agency of the City of Santa Clara, 2011 Tax Allocation Bonds, 11RDATAB:							
CIB	06/01/2026	5.750%	6,470,000.00	6,470,000.00	6,470,000.00	06/01/2021	100.000
CAB	06/01/2015	4.750%	682,596.75	815,421.75			
	06/01/2016	5.100%	632,423.70	765,382.80			
	06/01/2017	5.500%	940,539.60	1,155,199.05			
	06/01/2018	5.870%	798,708.00	994,464.00			
	06/01/2019	6.200%	673,431.00	848,716.00			
	06/01/2020	6.500%	558,204.95	711,295.65			
	06/01/2021	6.750%	451,985.60	581,257.60			
	06/01/2022	7.150%	350,025.60	456,767.60	708,434.00	06/01/2021	100.000
	06/01/2023	7.350%	268,454.40	352,889.60	553,964.80	06/01/2021	100.000
	06/01/2024	7.550%	2,776,185.20	3,676,169.35	5,840,741.75	06/01/2021	100.000
	06/01/2025	7.740%	2,462,531.50	3,283,566.00	5,276,914.50	06/01/2021	100.000
	06/01/2026	7.860%	224,316.95	300,414.40	486,285.80	06/01/2021	100.000
			17,289,403.25	20,411,543.80	19,336,340.85		

ESCROW REQUIREMENTS

**City of Santa Clara - Bayshore North Project Area
 Defeasance of 2011 TABs from \$25 Million in Unspent Proceeds**

Period Ending	Principal	Interest	Compounded Interest	Principal Redeemed	Compound Int Redeemed	Total
06/01/2015	682,596.75	186,012.50	142,403.25			1,011,012.50
12/01/2015		186,012.50				186,012.50
06/01/2016	632,423.70	186,012.50	182,576.30			1,001,012.50
12/01/2016		186,012.50				186,012.50
06/01/2017	940,539.60	186,012.50	364,460.40			1,491,012.50
12/01/2017		186,012.50				186,012.50
06/01/2018	798,708.00	186,012.50	401,292.00			1,386,012.50
12/01/2018		186,012.50				186,012.50
06/01/2019	673,431.00	186,012.50	426,569.00			1,286,012.50
12/01/2019		186,012.50				186,012.50
06/01/2020	558,204.95	186,012.50	436,795.05			1,181,012.50
12/01/2020		186,012.50				186,012.50
06/01/2021	451,985.60	186,012.50	428,014.40	12,551,513.65	6,784,827.20	20,402,353.35
	4,737,889.60	2,418,162.50	2,382,110.40	12,551,513.65	6,784,827.20	28,874,503.35

ESCROW COST

**City of Santa Clara -Bayshore North Project Area
 Defeasance of 2011 TABs from \$25 Million in Unspent Proceeds**

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLGS	06/01/2015	917,103	0.010%	917,103.00
SLGS	06/01/2016	811,478	0.220%	811,478.00
SLGS	06/01/2017	1,303,263	0.600%	1,303,263.00
SLGS	12/01/2017	3,042	0.780%	3,042.00
SLGS	06/01/2018	1,203,053	0.950%	1,203,053.00
SLGS	12/01/2018	8,768	1.100%	8,768.00
SLGS	06/01/2019	1,108,816	1.220%	1,108,816.00
SLGS	12/01/2019	15,580	1.330%	15,580.00
SLGS	06/01/2020	1,010,684	1.430%	1,010,684.00
SLGS	12/01/2020	22,910	1.530%	22,910.00
SLGS	06/01/2021	20,239,425	1.610%	20,239,425.00
		26,644,122		26,644,122.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield
03/02/2015	26,644,122	0.66	26,644,122.66	1.539150%
	26,644,122	0.66	26,644,122.66	

ESCROW DESCRIPTIONS

**City of Santa Clara -Bayshore North Project Area
Defeasance of 2011 TABs from \$25 Million in Unspent Proceeds**

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Mar 2, 2015:						
SLGS	Certificate	06/01/2015	06/01/2015	917,103	0.010%	0.010%
SLGS	Note	06/01/2016	06/01/2015	811,478	0.220%	0.220%
SLGS	Note	06/01/2017	06/01/2015	1,303,263	0.600%	0.600%
SLGS	Note	12/01/2017	06/01/2015	3,042	0.780%	0.780%
SLGS	Note	06/01/2018	06/01/2015	1,203,053	0.950%	0.950%
SLGS	Note	12/01/2018	06/01/2015	8,768	1.100%	1.100%
SLGS	Note	06/01/2019	06/01/2015	1,108,816	1.220%	1.220%
SLGS	Note	12/01/2019	06/01/2015	15,580	1.330%	1.330%
SLGS	Note	06/01/2020	06/01/2015	1,010,684	1.430%	1.430%
SLGS	Note	12/01/2020	06/01/2015	22,910	1.530%	1.530%
SLGS	Note	06/01/2021	06/01/2015	20,239,425	1.610%	1.610%
				26,644,122		

SLGS Summary

SLGS Rates File	22JAN15
Total Certificates of Indebtedness	917,103.00
Total Notes	25,727,019.00
Total original SLGS	26,644,122.00

ESCROW CASH FLOW

**City of Santa Clara -Bayshore North Project Area
Defeasance of 2011 TABs from \$25 Million in Unspent Proceeds**

Date	Principal	Interest	Net Escrow Receipts	Present Value to 03/02/2015 @ 1.5391502%
06/01/2015	917,103.00	93,909.50	1,011,012.50	1,007,187.46
12/01/2015		187,773.41	187,773.41	185,634.40
06/01/2016	811,478.00	187,773.41	999,251.41	980,324.14
12/01/2016		186,880.78	186,880.78	181,940.82
06/01/2017	1,303,263.00	186,880.78	1,490,143.78	1,439,674.29
12/01/2017	3,042.00	182,970.99	186,012.99	178,340.48
06/01/2018	1,203,053.00	182,959.13	1,386,012.13	1,318,694.67
12/01/2018	8,768.00	177,244.63	186,012.63	175,626.57
06/01/2019	1,108,816.00	177,196.41	1,286,012.41	1,204,934.74
12/01/2019	15,580.00	170,432.63	186,012.63	172,954.30
06/01/2020	1,010,684.00	170,329.02	1,181,013.02	1,089,718.18
12/01/2020	22,910.00	163,102.63	186,012.63	170,322.69
06/01/2021	20,239,425.00	162,927.37	20,402,352.37	18,538,769.28
	26,644,122.00	2,230,380.69	28,874,502.69	26,644,122.00

Escrow Cost Summary

Purchase date	03/02/2015
Purchase cost of securities	26,644,122.00
Target for yield calculation	26,644,122.00

DEFEASED BOND DEBT SERVICE

**City of Santa Clara - Bayshore North Project Area
 Defeasance of 2011 TABs from \$25 Million in Unspent Proceeds**

Period Ending	Principal	Coupon	Interest	Compounded Interest	Debt Service	Annual Debt Service
06/01/2015	682,596.75	4.750%	186,012.50	142,403.25	1,011,012.50	1,011,012.50
12/01/2015			186,012.50		186,012.50	
06/01/2016	632,423.70	5.100%	186,012.50	182,576.30	1,001,012.50	1,187,025.00
12/01/2016			186,012.50		186,012.50	
06/01/2017	940,539.60	5.500%	186,012.50	364,460.40	1,491,012.50	1,677,025.00
12/01/2017			186,012.50		186,012.50	
06/01/2018	798,708.00	5.870%	186,012.50	401,292.00	1,386,012.50	1,572,025.00
12/01/2018			186,012.50		186,012.50	
06/01/2019	673,431.00	6.200%	186,012.50	426,569.00	1,286,012.50	1,472,025.00
12/01/2019			186,012.50		186,012.50	
06/01/2020	558,204.95	6.500%	186,012.50	436,795.05	1,181,012.50	1,367,025.00
12/01/2020			186,012.50		186,012.50	
06/01/2021	451,985.60	6.750%	186,012.50	428,014.40	1,066,012.50	1,252,025.00
12/01/2021			186,012.50		186,012.50	
06/01/2022	350,025.60	7.150%	186,012.50	409,974.40	946,012.50	1,132,025.00
12/01/2022			186,012.50		186,012.50	
06/01/2023	268,454.40	7.350%	186,012.50	371,545.60	826,012.50	1,012,025.00
12/01/2023			186,012.50		186,012.50	
06/01/2024	2,776,185.20	7.550%	186,012.50	4,518,814.80	7,481,012.50	7,667,025.00
12/01/2024			186,012.50		186,012.50	
06/01/2025	2,462,531.50	7.740%	186,012.50	4,687,468.50	7,336,012.50	7,522,025.00
12/01/2025			186,012.50		186,012.50	
06/01/2026	6,694,316.95	** %	186,012.50	490,683.05	7,371,012.50	7,557,025.00
	17,289,403.25		4,278,287.50	12,860,596.75	34,428,287.50	34,428,287.50

REMAINING (UNDEFEASED) BOND DEBT SERVICE

**City of Santa Clara - Bayshore North Project Area
 Defeasance of 2011 TABs from \$25 Million in Unspent Proceeds**

Period Ending	Principal	Coupon	Interest	Compounded Interest	Debt Service	Annual Debt Service
06/01/2015	517,118.75	4.750%	139,293.75	107,881.25	764,293.75	764,293.75
12/01/2015			139,293.75		139,293.75	
06/01/2016	477,227.70	5.100%	139,293.75	137,772.30	754,293.75	893,587.50
12/01/2016			139,293.75		139,293.75	
06/01/2017	706,305.60	5.500%	139,293.75	273,694.40	1,119,293.75	1,258,587.50
12/01/2017			139,293.75		139,293.75	
06/01/2018	602,358.95	5.870%	139,293.75	302,641.05	1,044,293.75	1,183,587.50
12/01/2018			139,293.75		139,293.75	
06/01/2019	505,073.25	6.200%	139,293.75	319,926.75	964,293.75	1,103,587.50
12/01/2019			139,293.75		139,293.75	
06/01/2020	420,757.50	6.500%	139,293.75	329,242.50	889,293.75	1,028,587.50
12/01/2020			139,293.75		139,293.75	
06/01/2021	338,989.20	6.750%	139,293.75	321,010.80	799,293.75	938,587.50
12/01/2021			139,293.75		139,293.75	
06/01/2022	264,822.00	7.150%	139,293.75	310,178.00	714,293.75	853,587.50
12/01/2022			139,293.75		139,293.75	
06/01/2023	203,438.10	7.350%	139,293.75	281,561.90	624,293.75	763,587.50
12/01/2023			139,293.75		139,293.75	
06/01/2024	2,079,760.40	7.550%	139,293.75	3,385,239.60	5,604,293.75	5,743,587.50
12/01/2024			139,293.75		139,293.75	
06/01/2025	1,844,315.55	7.740%	139,293.75	3,510,684.45	5,494,293.75	5,633,587.50
12/01/2025			139,293.75		139,293.75	
06/01/2026	5,014,414.20	** %	139,293.75	370,585.80	5,524,293.75	5,663,587.50
	12,974,581.20		3,203,756.25	9,650,418.80	25,828,756.25	25,828,756.25

Attachment 1

SANTA CLARA - Redemption of 1999A TABs from Unencumbered Proceeds

Unencumbered 99A Proceeds	11,100,000
Reserve Fund Release (1)	<u>1,001,481</u>
Total Amount Available	12,101,481
Less: Execution Costs (2)	<u>(10,000)</u>
Net Amount Available	12,091,481
Redemption Cost (3)	12,088,750

SUMMARY OF REDEEMED AMOUNTS

Bond Type	Maturity Date	Interest Rate	Par Amount	Redemption Date (4)
CIB-Serial	06/01/17	5.25%	595,000	06/01/15
CIB-Serial	06/01/18	5.25%	1,630,000	06/01/15
CIB-Serial	06/01/19	5.25%	1,715,000	06/01/15
CIB-Term	06/01/20	5.50%	1,805,000	06/01/15
CIB-Term	06/01/21	5.50%	1,900,000	06/01/15
CIB-Term	06/01/22	5.50%	2,005,000	06/01/15
CIB-Term	06/01/23	5.50%	2,120,000	06/01/15

REDEMPTION REQUIREMENT

Period Ending	Accrued Interest	Principal Redeemed	Total
06/01/15	318,750	11,770,000	12,088,750

Notes:

- (1) Based on the lower reserve requirement resulting from the partial redemption
- (2) Conservative estimate for any legal, trustee / escrow agent, and any other incidental fees
- (3) Assumes cash deposit to redemption fund on May 1, 2015
- (4) 1999A TABs are only callable on interest payment date - next one being June 1, 2015

SUMMARY OF BONDS REDEEMED

**City of Santa Clara -Bayshore North Project Area
Redemption of 1999A TABs from \$11.1 Million in Unencumbered Proceeds**

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
1999 Tax Allocation Bonds Series A, 99TAB_A:					
SER	06/01/2017	5.250%	595,000.00	06/01/2015	100.000
	06/01/2018	5.250%	1,630,000.00	06/01/2015	100.000
	06/01/2019	5.250%	1,715,000.00	06/01/2015	100.000
TERM1	06/01/2020	5.500%	1,805,000.00	06/01/2015	100.000
	06/01/2021	5.500%	1,900,000.00	06/01/2015	100.000
	06/01/2022	5.500%	2,005,000.00	06/01/2015	100.000
	06/01/2023	5.500%	2,120,000.00	06/01/2015	100.000
			11,770,000.00		

REDEMPTION REQUIREMENTS

**City of Santa Clara -Bayshore North Project Area
Redemption of 1999A TABs from \$11.1 Million in Unencumbered Proceeds**

Period Ending	Interest	Principal Redeemed	Total
06/01/2015	318,750.00	11,770,000.00	12,088,750.00
	318,750.00	11,770,000.00	12,088,750.00

REDEMPTION COST

**City of Santa Clara -Bayshore North Project Area
Redemption of 1999A TABs from \$11.1 Million in Unencumbered Proceeds**

Purchase Date	Cost of Securities	Cash Deposit	Total Cost
05/01/2015		12,088,750.00	12,088,750.00
	0	12,088,750.00	12,088,750.00

REDEEMED DEBT SERVICE

**City of Santa Clara - Bayshore North Project Area
Redemption of 1999A TABs from \$11.1 Million in Unencumbered Proceeds**

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2015			318,750.00	318,750.00	318,750.00
12/01/2015			318,750.00	318,750.00	
06/01/2016			318,750.00	318,750.00	637,500.00
12/01/2016			318,750.00	318,750.00	
06/01/2017	595,000	5.250%	318,750.00	913,750.00	1,232,500.00
12/01/2017			303,131.25	303,131.25	
06/01/2018	1,630,000	5.250%	303,131.25	1,933,131.25	2,236,262.50
12/01/2018			260,343.75	260,343.75	
06/01/2019	1,715,000	5.250%	260,343.75	1,975,343.75	2,235,687.50
12/01/2019			215,325.00	215,325.00	
06/01/2020	1,805,000	5.500%	215,325.00	2,020,325.00	2,235,650.00
12/01/2020			165,687.50	165,687.50	
06/01/2021	1,900,000	5.500%	165,687.50	2,065,687.50	2,231,375.00
12/01/2021			113,437.50	113,437.50	
06/01/2022	2,005,000	5.500%	113,437.50	2,118,437.50	2,231,875.00
12/01/2022			58,300.00	58,300.00	
06/01/2023	2,120,000	5.500%	58,300.00	2,178,300.00	2,236,600.00
	11,770,000		3,826,200.00	15,596,200.00	15,596,200.00

REMAINING (UNREDEEMED) BOND DEBT SERVICE

**City of Santa Clara -Bayshore North Project Area
Redemption of 1999A TABs from \$11.1 Million in Unencumbered Proceeds**

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2015			535,681.25	535,681.25	535,681.25
12/01/2015			535,681.25	535,681.25	
06/01/2016			535,681.25	535,681.25	1,071,362.50
12/01/2016			535,681.25	535,681.25	
06/01/2017	1,000,000	5.250%	535,681.25	1,535,681.25	2,071,362.50
12/01/2017			509,431.25	509,431.25	
06/01/2018	2,735,000	5.250%	509,431.25	3,244,431.25	3,753,862.50
12/01/2018			437,637.50	437,637.50	
06/01/2019	2,880,000	5.250%	437,637.50	3,317,637.50	3,755,275.00
12/01/2019			362,037.50	362,037.50	
06/01/2020	3,030,000	5.500%	362,037.50	3,392,037.50	3,754,075.00
12/01/2020			278,712.50	278,712.50	
06/01/2021	3,200,000	5.500%	278,712.50	3,478,712.50	3,757,425.00
12/01/2021			190,712.50	190,712.50	
06/01/2022	3,375,000	5.500%	190,712.50	3,565,712.50	3,756,425.00
12/01/2022			97,900.00	97,900.00	
06/01/2023	3,560,000	5.500%	97,900.00	3,657,900.00	3,755,800.00
	19,780,000		6,431,268.75	26,211,268.75	26,211,268.75

ESCROW AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "Agreement"), dated as of March __, 2015, is among the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA, a public agency organized and existing under the laws of the State of California (the "Successor Agency"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, acting as escrow agent (the "Escrow Agent") and as trustee for the 2011 Bonds described below.

BACKGROUND:

1. Pursuant to Section 34172(a) of the California Health and Safety Code, the Redevelopment Agency of the City of Santa Clara (the "Former Agency") has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173 of the Code, the City Council of the City of Santa Clara has elected to serve as the successor entity to the Former Agency.

2. In order to provide financing for the Bayshore North Redevelopment Project, the Former Agency previously issued its Redevelopment Agency of the City of Santa Clara Bayshore North Project 2011 Tax Allocation Bonds in the aggregate principal amount of \$31,411,295.25 (the "2011 Bonds"), under a Fiscal Agent Agreement dated as of May 1, 2011 (the "2011 Fiscal Agent Agreement"), between the Former Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "2011 Trustee").

3. A portion of the proceeds of the 2011 Bonds have not been expended and the Successor Agency wishes at this time to apply such proceeds for the purpose of defeasing a portion of the outstanding 2011 Bonds and to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for that purpose.

AGREEMENT:

In consideration of the premises and the material covenants contained herein, the Successor Agency and the Escrow Agent hereby agree as follows:

SECTION 1. *Appointment of Escrow Agent; Establishment of Escrow Fund; Identification of Refunded Bonds.* The Successor Agency hereby appoints the Escrow Agent to act as escrow agent for purpose of administering the funds required to pay and redeem a portion of the 2011 Bonds, and for the purpose of paying the costs of the transaction. The portion of the 2011 Bonds which are secured by and payable from amounts on deposit in the Escrow Fund is identified in Appendix A hereto, which portion is hereby referred to as the "Refunded Bonds."

The Escrow Agent is hereby directed to establish an escrow fund (the "Escrow Fund") to be held by the Escrow Agent as an irrevocable escrow securing the payment and redemption of a portion of the 2011 Bonds in accordance with the 2011 Fiscal Agent

Agreement. If at any time the Escrow Agent receives actual knowledge that the cash and securities in the Escrow Fund will not be sufficient to make any payment required by Section 4 in respect of the 2011 Bonds, the Escrow Agent shall notify the Successor Agency of such fact and the Successor Agency shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 2. *Deposit of Amounts in Escrow Fund.* On March __, 2015 (the "Closing Date"), the Successor Agency shall cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$26,677,025.00 in immediately available funds. Such amount shall be derived from the following sources in the following amounts:

- (a) the amount of \$25,000,000.00 shall be derived from the proceeds of sale of the 2011 Bonds which are held by the 2011 Trustee in the Project Major Reimbursement Fund which is held under Section 3.04 of the 2011 Fiscal Agent Agreement; and
- (b) the amount of \$1,677,025.00 shall be derived from the proceeds of sale of the 2011 Bonds which are held by the 2011 Trustee in the Reserve Fund which is held by the 2006 Trustee under Section 4.03(c) of the 2011 Fiscal Agent Agreement.

SECTION 4. *Investment of Amounts in Escrow Fund.* On the Closing Date, the Escrow Agent shall invest the amount of \$26,644,123.00 deposited into the Escrow Fund in the following Federal Securities, and shall hold the remaining \$30,000.00 in cash, uninvested:

<u>Federal Securities*</u>	<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Coupon</u>	<u>First Interest Paymt Date</u>	<u>Purchase Price</u>
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* The listed Federal Securities consist of United States Treasury Securities, State and Local Government Series, of the type indicated.

Upon the maturity of the foregoing Federal Securities, the Escrow Agent shall hold the proceeds received therefrom in cash, uninvested, until required for the purposes set forth in Section 6. All Federal Securities and cash shall be deposited with and held by the Escrow Agent in the Escrow Fund solely for the uses and purposes set forth herein. The Escrow Agent shall have no lien upon or right of set off against the Federal Securities and cash at any time on deposit in the Escrow Fund.

SECTION 5. *Application to Pay Financing Costs.* The amount of \$30,000.00 held by the Escrow Agent in the Escrow Fund shall be applied to pay financing costs relating

to the transactions described in this Agreement, upon submission of written requests of the Successor Agency signed by the chief financial officer or chief executive officer of the Successor Agency and filed with the Escrow Agent, in each case together with a statement or invoice for each amount requested thereunder. In the event less than \$30,000.00 is applied to pay such financing costs on September 1, 2015, the remainder of such amount shall be retained in the Escrow Fund and applied for the purposes set forth in Section 6.

SECTION 6. *Application of Funds.* All Federal Securities and cash on deposit in the Escrow Fund, other than the amounts applied pursuant to Section 5, shall be and are hereby irrevocably pledged as a special fund for the payment of the principal or and interest on a portion of the Refunded Bonds in accordance with the 2011 Fiscal Agent Agreement, at the times and in the amounts as follows:

<u>Payment Date</u>	<u>Principal</u>	<u>Current Interest</u>	<u>Compounded Interest</u>	<u>Redeemed Principal*</u>	<u>Total Payment</u>
6/1/15	\$682,596.75	\$186,012.50	\$142,403.25		\$1,011,012.50
12/1/15		186,012.50			186,012.50
6/1/16	632,423.70	186,012.50	182,576.30		1,001,012.50
12/1/16		186,012.50			186,012.50
6/1/17	940,539.60	186,012.50	364,460.40		1,491,012.50
12/1/17		186,012.50			186,012.50
6/1/18	798,708.00	186,012.50	401,292.00		1,386,012.50
12/1/18		186,012.50			186,012.50
6/1/19	673,431.00	186,012.50	426,569.00		1,286,012.50
12/1/19		186,012.50			186,012.50
6/1/20	558,204.95	186,012.50	436,795.05		1,181,012.50
12/1/20		186,012.50			186,012.50
6/1/21	451,985.60	186,012.50	428,014.40	19,336,340.85	20,402,353.35

* Consists of \$6,470,000 aggregate principal amount of Current Interest Bonds to be redeemed, together with \$12,866,340.85.

The Escrow Agent shall withdraw all amounts remaining on deposit in the Escrow Fund on June 1, 2026, and transfer such amounts to the 2011 Trustee to be applied to pay debt service on the portion of the 2011 Bonds other than the Refunded Bonds.

SECTION 7. *Irrevocable Election to Redeem 2011 Bonds.* The Successor Agency has previously irrevocably elected to redeem all of the 2011 Bonds on February 1, 2015, in accordance with the provisions of the respective resolutions authorizing the issuance thereof. Notice of redemption of the 2011 Bonds has previously been given by the Escrow Agent, in its capacity as paying agent for the 2011 Bonds, in accordance with such resolutions, at the prior written direction of the Successor Agency.

SECTION 8. *Compensation to Escrow Agent.* The Successor Agency shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating

to the purchase, substitution or withdrawal of any securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Agent has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

The Successor Agency shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Escrow Agent's gross negligence or willful misconduct. The provisions of this Section shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

SECTION 9. *Immunities and Liability of Escrow Agent.* The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall not have any liability hereunder except to the extent of its negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages. The Escrow Agent shall not be liable for any loss from any investment made by it in accordance with the terms of this Agreement. The Escrow Agent shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the moneys and securities to pay the principal, interest and redemption premium with respect to the 2011 Bonds.

Whenever in the administration of this Agreement the Escrow Agent deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the Successor Agency and shall be full protection for any action taken or not taken by the Escrow Agent in good faith reliance thereon.

The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Agent in connection with this Agreement and believed by the Escrow Agent to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. The Escrow Agent shall not be liable to the parties

hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Agent may at any time resign by giving 30 days written notice of resignation to the Successor Agency. Upon receiving such notice of resignation, the Successor Agency shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Agent from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to each of the Successor Agency, the resigning Escrow Agent and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Successor Agency elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Successor Agency agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Bank will furnish the Successor Agency periodic transaction statements which include detail for all investment transactions made by the

Escrow Bank hereunder; provided that the Escrow Bank is not obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date.

SECTION 10. *Termination of Agreement.* Upon payment and redemption in full of the 2011 Bonds and the payment and redemption in full of the 2011 Bonds, and upon payment of all fees, expenses and charges of the Escrow Agent as described above, this Agreement shall terminate and the Escrow Agent shall be discharged from any further obligation or responsibility hereunder.

SECTION 11. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 12. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY OF SANTA CLARA**

By: _____
Authorized Officer

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Escrow Agent**

By _____
Vice President

APPENDIX A

IDENTIFICATION OF REFUNDED BONDS

<u>Bond Type</u>	<u>Maturity Date</u> <u>June 1</u>	<u>Interest</u> <u>Rate</u>	<u>Par</u> <u>Amount</u>	<u>Amount</u> <u>Redeemed</u>
CIB	2026	5.750%	\$6,470,000.00	\$6,470,000.00
CAB	2015	4.750	682,596.75	
CAB	2016	5.100	632,423.70	
CAB	2017	5.500	940,539.60	
CAB	2018	5.870	798,708.00	
CAB	2019	6.200	673,431.00	
CAB	2020	6.500	558,204.95	
CAB	2021	6.750	451,985.60	
CAB	2022	7.150	350,025.60	708,434.00
CAB	2023	7.350	268,454.40	553,964.80
CAB	2024	7.550	2,776,185.20	5,840,741.75
CAB	2025	7.740	2,462,531.50	5,276,914.50
CAB	2026	7.860	224,316.95	486,285.80

RESOLUTION NO. 2015- ____ (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 DEFEASE 2011 BONDS ISSUED BY THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA

BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA AS FOLLOWS:

WHEREAS, the California state legislature enacted Assembly Bills x1 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.); and

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; and

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; and

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; and

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

WHEREAS, the Successor Agency is now holding unspent bond proceeds from the 2011 bond issuance in the amount of approximately \$25 million; and

WHEREAS, the Oversight Board has requested that the Successor Agency provide the Oversight Board with information on the financial impacts of the Successor Agency defeasing or redeeming the unspent bond proceeds; and

WHEREAS, the Successor Agency has prepared a defeasance plan for the 2011 Bonds which determines that based on the bond proceeds held by the Successor Agency plus the interest reserves, that the Successor Agency could defease approximately \$17.3 million of the outstanding 2011 bonds; and

WHEREAS, the defeasance of the 2011 Bonds will reduce the Successor Agency's liabilities and increase the property tax funds that are available to the taxing entities.. .

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

1. The foregoing recitals are true and correct
2. The Oversight Board hereby directs the Successor Agency to use the 2011 Bond proceeds it is currently holding to defease a portion of the 2011 bonds in accordance with the defeasance plan provided to the Oversight Board.
3. The Oversight Board hereby authorizes the Successor Agency to enter into any and all contracts necessary to defease the 2011 bonds including any escrow agreements and any other agreements, contracts, certificates or other documents necessary to achieve the purposes of this resolution.

4. The Oversight Board hereby directs the Successor Agency to include on the ROPS 15-16A any and all costs associated with the implementation of the defeasance of the 2011 Bonds consistent with the defeasance plan and such costs shall be considered an enforceable obligations of the Successor Agency.

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

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

CERTIFICATION

I hereby certify the forgoing to be a true copy of a resolution passed and adopted by the Oversight Board of the Successor Agency for the City of Santa Clara Redevelopment Agency at a regular meeting thereof held on 27th day of February 2015, by the following vote:

- AYES: BOARD MEMBERS:
- NOES: BOARD MEMBERS:
- ABSTAIN: BOARD MEMBERS:
- ABSENT: BOARD MEMBERS:

APPROVE:

ATTEST:

Donald F. Gage
Chairperson

Jennifer Yamaguma
Clerk to the Oversight Board