

Mayor
Willard Rodarmel
Mayor Pro Tem
John Plourde
Council Members
John Gordon
John Murray
William Siegel



**Office of the
City Manager**

119 Fox Street
Lemoore ♦ CA 93245
Phone ♦ (559) 924-6700
FAX ♦ (559) 924-9003

To: Lemoore City Council, Lemoore Redevelopment Agency, Lemoore Public Financing Authority
From: Jeff Brittz, City Manager and Executive Director
By: Marshall Linn, CEO, Urban Futures, Inc.
Date: February 10, 2011
Subject: Lemoore Redevelopment Agency, Lemoore Redevelopment Project Tax Allocation Bonds, Issue of 2011 (the "2011 Bonds")

Discussion:

The Lemoore Redevelopment Agency ("the Agency") issued its \$6,180,000 Tax Allocation Refunding bonds ("1998 Bonds") in 1998, and its \$13,835,000 Tax Allocation Refunding Bonds (the "2003 Bonds") in 2003 (collectively, the "Prior Bonds"). Because of increased economic and development activity within the Redevelopment Project Area (the "Project Area") since 2003, the Agency is in a position to issue new tax allocation bonds (the "2011 Bonds") to provide funds for qualified projects and programs.

The proposed 2011 Bonds will be secured on an equal basis (parity) with the Prior Bonds, and the Prior Bonds will remain outstanding. The estimated principal amount of the 2011 Bonds and the estimated net proceeds amount are based on an interest rate structure that assumes that the issue will receive an investment grade rating. Standard & Poor's Corp. is currently reviewing the proposed 2011 Bond issuance to determine the rating on the bonds.

Based on the assumption that the 2011 Bonds will receive an investment grade rating (at least BBB), the estimated interest rate will not exceed 8.00%, for the bonds with the longest maturity. The estimated annual debt service payment will be approximately \$1,530,000 in the years 2011 through 2033, with an increase to approximately \$2,800,000 in years 2034 (when the Prior Bonds debt service is completed) to 2040. The combined 2011 Bonds and the Prior Bonds will have level debt service payments of approximately \$2,815,000 per year through 2040. The repayment of principal and interest on the proposed bonds would be secured solely by the net tax increment revenues from the Project Area. The bonds will not be a debt of the City of Lemoore, the State of California, or any of its political subdivisions (except the Agency).

SUMMARY OF DOCUMENTS

The following is a summary of the principal financing and legal documents that will be used in the (proposed) issuance of the 2011 Bonds. The documents presented at the meeting will be in substantially final form, with remaining blanks to be completed after the 2011 Bonds are priced in the market.

Indenture of Trust - The Indenture of Trust is an agreement between the RDA and the Trustee setting forth the term and conditions of the 2011 Bonds (principal amount, maturity date, interest rate, call provisions, etc.), provisions designed to secure their payment, including a pledge of

special tax revenues and various covenants to bondholders, procedural and administrative matters concerning the Trustee, remedies on default, and the form of the bonds. The Indenture will be completed in final form, signed and delivered following the sale of the bonds and prior to the closing date.

Bond Purchase Agreement - The Purchase Agreement will be presented to the RDA for approval and execution as soon as the Underwriter (De La Rosa & Co.) has completed the process of offering and then pricing the bonds in the market. Prior to execution, the Agency's Financial Advisor will check the pricing with other underwriting firms and render a written "fairness opinion" that the pricing actually reflects current market conditions.

Preliminary Official Statement - This is the principal offering document utilized by the Underwriter in marketing the 2011 Bonds. It describes the terms and the security of the issue and discloses material information concerning the operations and financial condition of the Agency. The Preliminary Official Statement will be distributed by the Underwriter to potential investors of the Bonds. Following the sale of the bonds, the Official Statement will be put in final form and copies will be delivered by the Underwriter to the purchasers of the 2011 Bonds.

Continuing Disclosure Agreement - This document describes the Agency's ongoing reporting requirements, pursuant to federal and state regulations. The Agency will be required to update relevant portions of the financial data contained in the Official Statement on an annual basis, for the benefit of the bondholders and other interested parties.

The forms of the Preliminary Official Statement, Bond Purchase Agreement, Trust Indenture, and Continuing Disclosure Agreement are on file with the City Clerk. Members of the Finance Team will be in attendance for the combined Agency/ City/ Authority actions to answer any questions.

Budget Impact:

The proposed 30 year, \$19,150,000 Tax Allocation Bonds would be secured solely by tax increment revenues generated from the Project Area, and would not be a debt of the City. The estimated net proceeds from the 2011 Bonds would be approximately \$17,000,000, of which 20% would need to be expended for projects that benefit low and moderate income housing. The estimated annual debt service payments on the bonds would be approximately \$1,530,000 through 2033, with an increase to approximately \$2,815,000 in years 2034 to 2040.

Recommendation:

That the Lemoore Redevelopment Agency Adopt Resolution No. 2011-01, APPROVING THE ISSUANCE, SALE AND DELIVERY OF ITS LEMOORE REDEVELOPMENT PROJECT 2011 TAX ALLOCATION BONDS, APPROVING AS TO FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION WITH SUCH BONDS AND AUTHORIZING CERTAIN OTHER RELATED MATTERS

That the City Council Adopt Resolution No. 2011-07, APPROVING THE ISSUANCE, SALE AND DELIVERY BY THE LEMOORE REDEVELOPMENT AGENCY OF ITS LEMOORE REDEVELOPMENT PROJECT 2011 TAX ALLOCATION BONDS

That the Lemoore Financing Authority Adopt Resolution No. 2011-02, APPROVING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT