

MEMORANDUM

TO: Successor Agency to the Dissolved Lompoc Redevelopment Agency

FROM: Urban Futures, Inc.
Doug Anderson, Director

DATE: March 1, 2024

RE: Independent Municipal Advisor’s Report: Debt Service Savings Analysis for Successor Agency to the Dissolved Lompoc Redevelopment Agency Old Town Lompoc Redevelopment Project Tax Allocation Refunding Bonds, Series 2024 (the “2024 Bonds”)

Background

The Successor Agency to the Dissolved Lompoc Redevelopment Agency (the “Agency”) is authorized under Section 34177.5 of the State Health and Safety Code to issue tax allocation refunding bonds for economic savings within the parameters set forth in Section 34177.5(a)(1) of the State Health and Safety Code (the “Savings Parameters”). In addition, Section 34177.5 of the State Health and Safety Code provides, in relevant part, that the Agency “...shall make use of an independent financial advisor in developing financing proposals and shall make the work products of the financial advisor available to the Department of Finance at its request.” (State Health & Safety Code Section 34177.5(h), effective 6/27/12) Urban Futures, Inc., has been retained by the Agency to serve as its independent municipal advisor to determine compliance with the Savings Parameters for purposes of the issuance by the Agency of its 2024 Bonds.

This report in draft form may be used in presentations to the Agency Board and Oversight Board but will be final only after verification of final debt service savings. The 2024 Bonds will be issued for the purpose of refunding and defeasing the Lompoc Redevelopment Agency Old Town Lompoc Redevelopment Project Tax Allocation Bonds, Series 2010 (the “Prior Obligation”) issued by the former Lompoc Redevelopment Agency.

Plan of Refunding

The financing goal is to maximize economic savings by reducing total debt service.

Based on market conditions as of February 27, 2024, Oppenheimer & Co. Inc. (the “Underwriter”) has prepared refunding cash flows based on certain assumptions. The refunding of the Prior Obligation from proceeds of the 2024 Bonds and certain funds on hand will achieve a gross debt service savings of \$1,756,974 and Net PV savings of approximately \$768,991, as shown in Table 3. The estimates assume the contribution of \$605,787 of prior reserve funds into the refunding escrow. The savings generated from this refunding are anticipated to result in higher property tax distributions to the affected taxing entities in the future.

Refunding Results

Table 1 below shows the estimated sources and uses for the 2024 Bonds.

Table 1: (Est.) Sources and Uses of Funds	
Sources:	
Par Amount	\$ 5,390,000
Bond Premium	589,171
Prior Obligations Reserve Accts.	605,787
Total Sources of Funds	\$ 6,584,958
 Uses:	
Refunding Escrow Deposits	
Cash Deposit	\$ 6,251,839
	\$ 6,251,839
 Costs of Issuance*	\$ 333,119
Total Uses of Funds	\$ 6,584,958

*Estimate includes Underwriter’s Discount, premiums for Bond Insurance and Debt Service Reserve policies, and Finance Team fees and expenses.

Tables 2 and 3 below show estimated debt service savings and Net Present Value (“Net PV”) savings based on market conditions as of 2/27/2024.

Table 2 - Est. Debt Service Savings			
Bond	Existing	Est. New	
Year (9/1)	Payments	Payments	Savings
2024	423,588	342,939	80,649
2025	599,313	489,000	110,313
2026	600,605	487,250	113,355
2027	600,756	490,000	110,756
2028	604,725	492,000	112,725
2029	597,188	483,250	113,938
2030	599,075	489,250	109,825
2031	599,813	489,250	110,563
2032	599,400	488,500	110,900
2033	601,900	492,000	109,900
2034	602,900	489,500	113,400
2035	602,400	491,250	111,150
2036	605,400	492,000	113,400
2037	601,600	486,750	114,850
2038	601,300	490,750	110,550
2039	604,200	493,500	110,700
Totals	9,444,163	7,687,189	1,756,974

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Table 3 - Net PV Savings Summary	
PV of Savings from cash flow	1,372,523
Less: Prior Funds on Hand	(605,788)
Plus: Refunding Funds on Hand	<u>2,256</u>
Net PV Savings	768,991

Proposed Refunding Complies with State Law

Based on the proposed structure of the 2024 Bonds and the projected debt service savings, Urban Futures, Inc. concludes that the 2024 Bonds comply with the Savings Parameters as described below.

A. Total debt service (principal and interest) on the refunding bonds is less than total debt service on the refunded bonds (sec. 34177.5(a)(1)(A)): Section 34177.5(a)(1)(A) requires that the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds

or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded. Table 2 shows projected total debt service savings from the refunding of the Prior Obligation of \$1,756,974, calculated as (i) total debt service on the Prior Obligation, minus (ii) total debt service on the 2024 Bonds. Net PV savings is projected to be \$768,991.

B. Refunding bonds principal shall be used only for refunding purposes, not for new-money (sec. 34177.5(a)(1)(B)): Section 34177.5(a)(1)(B) requires that the principal amount of the refunding bonds or other indebtedness shall not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance. Table 1 is the projected sources and uses of funds for the 2024 Bonds, showing that all proceeds are used only for purposes associated with refunding the Prior Obligations and to pay related costs of issuance. No proceeds of the 2024 Bonds will be used for any other purposes, including new-money purposes.

C. Agency shall make diligent efforts to ensure lowest long-term cost financing is obtained, to structure refunding that does not provide for any bullets or spikes or variable rates, and shall hire an independent financial advisor (sec. 34177.5(h)): Section 34177.5(h) requires the Agency to make diligent efforts to ensure that the lowest long-term cost financing is obtained and that the financing not provide for any bullets or spikes or use variable rates. The Agency has retained Urban Futures, Inc., an independent financial advisor registered with the SEC and MSRB, to monitor the pricing of the 2024 Bonds.

In accordance with Section 34177.5(h), the proposed refunding structure does not provide for any bullet principal maturities, debt service spikes or variable rate debt.