



Lompoc Successor Agency

TO THE DISSOLVED LOMPOC REDEVELOPMENT AGENCY

Successor Agency Meeting Date: March 19, 2024

TO: Dean Albro, Executive Director

FROM: Christie Donnelly, Management Services Director
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SUBJECT: Adoption of Resolution No. SA11(24) Approving Issuance of Refunding Bonds to Refund Certain Outstanding Obligations of the Former Lompoc Redevelopment Agency

Recommendation:

Staff recommends the Successor Agency Board:

- 1) Adopt Resolution No. SA11(24) approving the issuance of tax allocation refunding bonds to refinance certain outstanding bonds of the dissolved Lompoc Redevelopment Agency, approving the form of and execution and delivery of an Indenture of Trust and other documents, requesting Oversight Board approval of the issuance of the refunding bonds, requesting certain determinations by the Oversight Board, and providing for other matters relating to the issuance of the refunding bonds. (Attachment 1.)

Background:

The Lompoc Redevelopment Agency (Former Agency) issued \$8,385,000 Old Town Lompoc Redevelopment Project Tax Allocation Bonds, Series 2010 (2010 Bonds) in June of 2010, of which \$6,105,000 remains outstanding. Due to the dissolution of redevelopment agencies, the Successor Agency to the Dissolved Lompoc Redevelopment Agency (Successor Agency) has succeeded to the obligations of the Former Agency with respect to the 2010 Bonds, including the payment of debt service on the 2010 Bonds. Under Section 34177.5 of California Health and Safety Code, the Successor Agency may refund existing bonds and obligations, with approval of the Oversight Board and the State Department of Finance (DOF), for the purpose of generating debt service savings.

Discussion:

Based on current market interest rates, the Successor Agency can generate total debt service savings of approximately \$1.76 million by refunding the outstanding 2010 Bonds with the proceeds of new refunding bonds (2024 Bonds) without extending beyond the final maturity of the 2010 Bonds. (See Attachment 2 for a full analysis.)

The estimated annual savings of approximately \$110,000 per year would be shared among the affected taxing entities (including the City's General Fund) as residual revenues. The City's General Fund residual share of the total estimated debt service savings is approximately \$22,000 on an annual basis over the term of the 2024 Bonds.

Additionally, the Former Agency entered into a loan agreement in November of 2004 (2004 Loan Agreement) between the Former Agency and the Lompoc Public Financing Authority (Authority), pursuant to which the Authority made a loan to the Former Agency in the principal amount of \$7,350,000 payable from Tax Revenues (as defined in the 2004 Loan Agreement). The 2024 Bonds will be payable from Tax Revenues on parity with the 2004 Loan Agreement.

Pursuant to Health & Safety Code Section 34177.5(f), the Santa Barbara Countywide Oversight Board (Oversight Board) must approve the issuance by the Successor Agency of the 2024 Bonds. The State Department of Finance (DOF) will then review such Oversight Board action. DOF is allowed 60 days to review any actions of the Oversight Board to approve refunding bond issues. Assuming approval by the Oversight Board at its March 28, 2024, meeting, staff and the Successor Agency's finance team will work with DOF to obtain approval.

In addition to approving the issuance of the 2024 Bonds, the attached Resolution approves the following:

- 1) Selection of Urban Futures, Inc., as municipal advisor and fiscal consultant; Jones Hall, A Professional Law Corporation, as bond and disclosure counsel; and U.S. Bank Trust Company, National Association, as trustee.
- 2) The forms of the Indenture of Trust, the Bond Purchase Agreement, and the Irrevocable Refunding Instructions (Attachments 3-5). The Indenture of Trust contains the terms and conditions by which the Trustee (US Bank) will hold funds and accounts, describes the repayment terms of the 2024 Bonds, and describes the revenues pledged to the repayment of the 2024 Bonds. The Bond Purchase Agreement describes the terms and conditions by which the Underwriter (Oppenheimer & Co. Inc.) will purchase the 2024 Bonds from the Successor Agency. The Irrevocable Refunding Instructions describe the terms and conditions by which US Bank will redeem the outstanding 2010 Bonds with the proceeds of the 2024 Bonds.

- 3) The purchase of municipal bond insurance and a reserve fund insurance policy if it is determined, upon consultation with Urban Futures, Inc., and Oppenheimer & Co. Inc., that they will reduce the true interest cost of the 2024 Bonds.
- 4) Request to the Oversight Board to approve the issuance of the 2024 Bonds and to make certain determinations.
- 5) Adoption of the City's Debt Management Policy, as amended, supplemented and restated from time to time, as the debt management policy of the Successor Agency pursuant to Section 8855 of the California Government Code.

Following approval by the Oversight Board of the issuance of the 2024 Bonds and upon submission of the Oversight Board Resolution to DOF, a Preliminary Official Statement (POS) will be prepared by the finance team and staff. The POS is the marketing document that will be presented to potential bond buyers. It is anticipated that the POS will be presented to the Successor Agency Board for approval at the second meeting in May 2024, after which the 2024 Bonds will be priced and sold.

Fiscal Impact:

The total estimated debt service savings that will be generated by refunding the Prior Obligations is approximately \$1.76 million. The City's General Fund share of the estimated total debt service savings is approximately \$330,264.

Pursuant to the requirements contained in SB 450, estimated financial information relative to the issuance of the 2024 Bonds is shown in the table below:

Item	Estimate as of 2/27/2024
1. True Interest Cost of the 2024 Bonds	3.57%
2. Finance Charge of the Bonds	\$333,119.64
3. Net Bond Proceeds	\$5,646,051.11
4. Total Payment Amount	\$7,717,188.89

1. True interest cost of the bonds: This is the estimated interest rate for the 2024 Bonds, and includes certain finance charges.
2. Finance charge of the bonds: This is the total amount of fees and expenses for refinancing the 2010 Bonds (a one-time charge). This amount will be paid from bond proceeds of the 2024 Bonds.
3. Net Bond Proceeds: This is the net amount that will be produced from the 2024 Bonds after all costs, which, when combined with funds from the Reserve Funds

from the 2010 Bonds, will provide the total amount needed to pay off the 2010 Bonds.

4. Total Payment Amount: This is total principal and interest payments, plus an (est.) \$2,000 annual Trustee fee as long as the 2024 Bonds are outstanding.

The payment of principal and interest on the 2024 Bonds will be secured solely by the Tax Revenues, which generally consists of tax increment revenues from the Old Town Lompoc Redevelopment Project, net of certain administrative payments. The 2024 Bonds will not be a debt of the City's General Fund. All costs associated with the issuance of the 2024 Bonds will be paid from proceeds of the 2024 Bonds.

Conclusion:

Adopting the Resolution No. SA11(24) approving the issuance of tax allocation refunding bonds to refinance certain outstanding bonds of the dissolved Lompoc Redevelopment Agency, approving the form of and execution and delivery of an Indenture of Trust and other documents, requesting Oversight Board approval of the issuance of the refunding bonds, requesting certain determinations by the Oversight Board, and providing for other matters relating to the issuance of the refunding bonds is the first approval required for the Successor Agency to issue the refunding bonds for debt service savings that will benefit the affected taxing entities.

Respectfully submitted,

Christie Donnelly, Management Services Director

APPROVED FOR SUBMITTAL TO THE SUCCESSOR AGENCY BOARD:

Dean Albro, City Manager

- Attachments:
- 1) Resolution No. SAXX(24)
 - 2) Independent Municipal Advisor's Report
 - 3) Indenture of Trust
 - 4) Bond Purchase Agreement
 - 5) Irrevocable Refunding Instructions