

**ALL CELL PHONES AND ELECTRONIC DEVICES MUST BE
TURNED OFF IN THE COUNCIL CHAMBERS**

**A G E N D A
REEDLEY PUBLIC FINANCING AUTHORITY MEETING**

7:00 P.M.

(PFA Meeting is typically convened after the City Council Meeting is adjourned)

TUESDAY, FEBRUARY 8, 2011

**Meeting Held at Reedley Council Chambers
845 "G" Street, Reedley, California**

The Council Chambers are accessible to the physically disabled. Requests for additional accommodations for the disabled, including auxiliary aids or services, should be made one week prior to the meeting by contacting the City Clerk at 637-4200 ext. 300.

Any document that is a public record and provided to a majority of the PFA Board regarding an open session item on the agenda will be made available for public inspection at City Hall, in the City Clerk's office, during normal business hours. In addition, such documents may be posted on the City's website.

City of Reedley's Internet Address is www.reedley.com

Mary L. Fast, Board Chairman

Steven Rapada, Vice Chairman

Ray Soleno, Board Member

Pete Chavez, Board Member

Anita Betancourt, Board Member

CALL TO ORDER

ROLL CALL

PUBLIC COMMENT - *Provides an opportunity for members of the public to address the PFA Board on items of interest to the public within the Board's jurisdiction and which are not already on the agenda this evening. It is the policy of the PFA Board not to answer questions impromptu. Concerns or complaints will be referred to the Executive Director's office. Speakers should limit their comments to not more than three (3) minutes. No more than ten (10) minutes per issue will be allowed. For items which are on the agenda this evening, members of the public will be provided an opportunity to address the PFA Board as each item is brought up for discussion.*

NOTICE TO PUBLIC

*Under a **CONSENT AGENDA** category, a recommended course of action for each item is made. Any Board member may remove any item from the **CONSENT AGENDA** in order to discuss and/or change the recommended course of action, and the Board can approve the remainder of the **CONSENT AGENDA**.*

CONSENT AGENDA

1. MINUTES OF THE PUBLIC FINANCING AUTHORITY BOARD MEETING OF JANUARY 25, 2011 - Recommend Board receive and file.

NEW BUSINESS

2. PFA RESOLUTION NO. 2011-03 – A RESOLUTION OF THE PUBLIC FINANCING AUTHORITY INCREASING THE AUTHORIZED TRUE INTEREST COST UPON SALE OF REEDLEY REDEVELOPMENT PROJECT 2011 TAX ALLOCATION BONDS, SERIES A- Report, Discussion, and/or Board action to approve, modify, and/or take other action as appropriate (City Manager)

BOARD REPORTS

3. REQUESTS BY BOARD MEMBERS FOR FUTURE AGENDA ITEMS AND/OR REPORTS OF BOARD MEMBER ACTIVITIES.

STAFF REPORTS

4. UPDATES OR REPORTS BY EXECUTIVE DIRECTOR AND/OR STAFF MEMBERS

ADJOURNMENT

REEDLEY PUBLIC FINANCING AUTHORITY BOARD MEETING -- January 25, 2011

The meeting of the Reedley Public Financing Authority Board of Directors was called to order by Chairman Fast at 9:30 p.m. on Tuesday, January 25, 2011, in the Reedley City Hall Council Chambers, 845 "G" Street, Reedley, California.

ROLL CALL

Board of Directors

Present: Ray Soleno, Anita Betancourt, Pete Chavez, Steven Rapada, Mary Fast,

Absent: None.

RDA Staff

Present: Rocky Rogers, Executive Director; Scott Cross, RDA Counsel; Steve Wright, Chief of Police; Lori Oken, Finance Director; Jerry Isaak, Fire Chief; Noe Martinez City Engineer; David Brletic, City Planner; Marissa Gonzales, Human Resources Manager; Russ Robertson, Public Works Manager; and Kay L. Pierce, Executive Secretary.

Others

Present: None.

PUBLIC COMMENT – None.

CONSENT AGENDA – None.

Board Member Soleno moved, Board Member Chavez seconded to accept, approve and adopt all items listed under the **CONSENT AGENDA** as follows:

NEW BUSINESS

1. PFA RESOLUTION NO. 2011-02 – A RESOLUTION OF THE BOARD OF DIRECTORS OF THE REEDLEY PUBLIC FINANCING AUTHORITY AUTHORIZING THE PURCHASE AND SALE OF TWO SEPARATE TAX ALLOCATION BOND ISSUES OF THE REEDLEY REDEVELOPMENT AGENCY, UPON CERTAIN TERMS AND CONDITIONS, APPROVING DISTRIBUTION OF OFFICIAL STATEMENT RELATING THERETO AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO

City Manager Rogers advised this resolution approves the PFA's purchase of the Bonds from the RDA for concurrent resale to the Underwriter pursuant to the Purchase Contracts by and among the RDA, the PFA and the Underwriter, and also provides the PFA's approval of all matters relating to the Bonds. He advised this is the last step before staff can sell these bonds. Staff is currently working with the insurance agent that actually insures the bonds. Our insurer will not insure bonds for any agency in the State of California until the Governor has made final what he plans to do with redevelopment agencies. That does not allow Reedley to insure our bonds to an A+ rating, but rather stay at an A- rating. This resolution caps at an interest rate of 7%.

Board Member Rapada moved, Board Member Chavez seconded to adopt PFA RESOLUTION NO. 2011-02 – A RESOLUTION OF THE BOARD OF DIRECTORS OF THE REEDLEY PUBLIC FINANCING AUTHORITY AUTHORIZING THE PURCHASE AND SALE OF TWO SEPARATE TAX ALLOCATION BOND ISSUES OF THE REEDLEY REDEVELOPMENT AGENCY, UPON CERTAIN TERMS AND CONDITIONS, APPROVING DISTRIBUTION OF OFFICIAL STATEMENT RELATING THERETO AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO.

Motion unanimously **carried**.

REEDLEY PUBLIC FINANCING AUTHORITY BOARD MEETING – January 25, 2011

2. **BOARD REPORTS – None.**

3. **STAFF REPORTS – None.**

4. **CLOSED SESSION**

5. **ADJOURNMENT**

Chairman Fast adjourned the Public Financing Authority Meeting at 9:39 p.m.

Mary L. Fast, Chairman

ATTEST:

Kay L. Pierce, RDA Secretary

REPORT TO PFA BOARD



— MEMORANDUM —

AGENDA ITEM NO.: 2

BOARD MEETING DATE: February 8, 2011

SUBJECT: *Resolution to increase the Tax Allocation Bond Interest Rate Cap*

RECOMMENDATION:

Staff's recommendation is that the Reedley Public Finance Authority Board adopt Resolution No. 2011-03, increasing the interest rate cap from 7% to 7.85%.

BACKGROUND:

Since the Governor's announcement on January 10th to eliminate redevelopment agencies, the bond market has become somewhat turbulent meaning interest rates are a bit unpredictable. The Agency Board adopted Resolution No. 2011-02 in January capping the true interest rate at 7%. This rate at the present time is not attainable and staff is therefore asking the Board to increase the cap to 7.85% or if the Board finds it in their best interest, to cap it at the higher 8.25% based on the information given in the attached letter from Brandis and Tallman.

FISCAL IMPACT:

Budgeted item:	NA
Expenditure:	NA
Fund Acct(s):	NA

Prepared by: [Signature] Executive Director

Power Point Presentation:

Attachments:

1. Letter of explanation from Brandis and Tallman
2. PFA Resolution No. 2011-03

Motion: _____
Second: _____

RESOLUTION NO. 2011-03

**RESOLUTION OF THE REEDLEY PUBLIC FINANCING AUTHORITY
INCREASING THE AUTHORIZED TRUE INTEREST COST UPON SALE
OF REEDLEY REDEVELOPMENT PROJECT 2011 TAX ALLOCATION
BONDS, SERIES A**

WHEREAS, the Reedley Redevelopment Agency, a California redevelopment agency (California Health and Safety Code Section 33000 et seq.) (the "Agency") is authorized pursuant to the Community Redevelopment Law, being Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the "Law") to issue its tax allocation bonds for the purpose of financing and refinancing redevelopment activities within and of benefit to its Reedley Redevelopment Project (the "Project Area");

WHEREAS, to finance and refinance redevelopment activities within the Project Area, the Agency, by Resolution No. 146, adopted January 11, 2011, authorized the issuance of not to exceed \$6,000,000 aggregate principal amount of its Reedley Redevelopment Project 2011 Tax Allocation Bonds, Series A (the "2011 Bonds"); and

WHEREAS, by Resolution No. 147, adopted January 15, 2011, the Agency increased the authorized principal amount of the 2011 Bonds to an amount not to exceed \$9,400,000;

WHEREAS, in Resolution No. 2011-02, adopted January 25, 2011, the Reedley Public Financing Authority approved the purchase of the 2011 Bonds from the Agency and the sale of the 2011 Bonds to Brandis Tallman LLC, the underwriter of the 2011 Bonds, at a true interest cost of not to exceed 7.00%;

WHEREAS, Brandis Tallman has informed the Authority that market conditions for sale of the 2011 Bonds have deteriorated significantly and that in order for the 2011 Bonds to be sold to the public, the not to exceed true interest cost needs to be increased to not to exceed 7.85%; and

WHEREAS, the Authority desires to authorize such increase to not to exceed 7.85%;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Reedley Public Financing Authority, as follows:

Section 1. Increase in the Authorized True Interest Cost. The Authority hereby increases the authorized to true interest cost at which the 2011 Bonds may be purchased and sold to not to exceed 7.85%.

Section 2. Resolution No. 2011-02. Except as expressly provided herein to the contrary, the provisions of Resolution No. 2011-02 shall remain in full force and effect.

Section 3. Effective Date. This resolution shall take effect from and after the date of approval and adoption thereof.

PASSED AND ADOPTED this 8th day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Mary L. Fast, Chairman

Attest:

By: _____
Kay L. Pierce, Secretary



BRANDIS TALLMAN LLC

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San Francisco, CA 94111

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www.brandistallman.com

DATE: January 31, 2011

TO: Rocky Rogers, City Manager
Lori Oken, Finance Director
David Brletic, City Planner

FROM: Nicki Tallman and Rick Brandis

RE: **INCREASE IN NOT-TO-EXCEED INTEREST RATES
FOR FEBRUARY 8th RESOLUTIONS**

MARKET COMMENTARY

Currently, the market is turbulent and the bond insurer has stopped providing insurance for California RDAs. Interest rates on Redevelopment TABs have increased approximately 125 basis points (1 ¼%) since January 10th, the day the Governor's State Budget Proposal was announced. Under normal circumstances, an issuing agency could wait for the market to settle or for the bond insurer to resume issuing policies for RDAs. However, these are not normal circumstances. The City is faced with the possibility of losing its ability to enter into RDA tax increment financing given the State's budget proposal. Faced with that real possibility, the City can move forward now with an A- rated RDA tax allocation bond without insurance. This will allow the RDA to secure tax increment revenue as a source of repayment for public projects. Tax increment gives the RDA a means for repaying debt rather than placing a burden on the general fund, or relying on the electorate to pass a special tax. Without the ability to capture tax increment revenue, the City will have less flexibility to finance capital projects in the future.

NEW MONEY ISSUANCE - REFUNDING VS. NO REFUNDING

BASED ON INTEREST RATES AS OF 1-31-11. The benefits of refunding the 1998 TABs along with the issuance of new money include:

- 1) Lower overall debt service. Based on today's interest rates (a 7.26% true interest cost "TIC") total debt service is approximately \$300,000 lower overall if the refunding is completed along with the issuance of new money. While interest rates are higher today on the tax-exempt series than in 1998, the refunding allows for restructuring of principal

amortization which minimizes overall interest cost. Additionally, the refunding shares in the costs of issuance and frees up the existing 1998 reserve fund.

- 2) The debt service coverage covenant can be reduced from 1.50 times to 1.35 times. This allows for future increased debt capacity.
- 3) Based on today's interest rates (a 7.26% TIC), the project fund under either the refunding or the no refunding scenarios are about the same, \$4,935,000.
- 4) A larger bond issue is more attractive to institutional investors, opening the issue to more segments of the investor community which allows for more thorough distribution of the bonds and possibly better pricing.
- 5) Since the Governor's announcement on January 10th, there have been \$140 million in RDA TABs issued. As time progresses, there may be a surplus of RDA bonds on the market which could affect interest rates.

BASED ON AN INCREASE IN INTEREST RATES. As of today, including the refunding as part of the overall financing is a clear benefit to the RDA. However, if interest rates increase above today's rates, a larger project fund could be funded without including the refunding portion. For every 10 basis point increase in TIC, the project fund, without the refunding, increases by about \$40,000. If the interest rates were to move another 100 basis points, or a TIC of 8.25%, an additional project fund of \$400,000 could be achieved if no refunding occurred. At a TIC of 8.25%, the project fund could be \$4.4 million without the refunding, and \$4 million with the refunding.

Staff has directed that a not-to-exceed interest rate of 7.85% (TIC) be used as the benchmark for keeping the refunding in the transaction. At 7.85%, the difference in project fund is acceptable to Staff given the other benefits of the refunding. If the market is above a 7.85% TIC, the new money only scenario would be brought back before the Council/Board.

PROCESS TO PROCEED

Although current market conditions have driven interest rates up, the refunding based on today's interest rates provides benefit to the transaction. The Council/Board can pass new Resolutions with an increase in the not-to-exceed interest rate at the regularly scheduled meetings of February 8th. The issue would then be priced on February 10th, closing about February 23rd.

If interest rates continue to increase above the level that is acceptable to the City (above 7.85%), the transaction could come back before the Council/Board on February 22nd as new money only, no refunding. Then, pricing could occur shortly thereafter with closing as soon as possible in March. There is legislation expected the beginning of March which may or may not affect this timing.

The Standard & Poors' Rating Report dated January 25th, is typically good for 60 to 90 days.

WAIT AND SEE OPTION

The option does exist for the RDA to place the transaction on hold and adopt a "wait and see" policy. If the State budget is restructured to allow RDA's to operate and issue debt in the future, the RDA could access the market at that time. The bond insurer may or may not resume writing bond insurance policies for California RDAs. The ability to access the market in the future for RDAs is unknown. If accessible, the market conditions in the future are unknown. Interest rates could be higher or lower. If the RDA does decide to "wait and see", the RDA could lose its ability to issue debt that is repaid from tax increment. In that case, currently scheduled projects would require funding from other sources.

Thank you.