



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: FEBRUARY 20, 2018

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: RETENTION OF THE FINANCING TEAM MEMBERS TO REFINANCE THE 2007 SERIES A-D TAX ALLOCATION BONDS AND ASSIST WITH SECURING FINANCING FOR THE NEW MAIN LIBRARY PROJECT

ISSUES:

Retain the debt financing team members to refinance the 2007 Series A-D Tax Allocation Bonds debt instrument and assist in securing new financing for the Main Library project.

RECOMMENDATIONS:

That the City Council:

1. Retain the various financing team members to refinance the 2007 Series A-D Tax Allocation Bonds and assist with securing new financing for the Main Library project, as outlined in the report below;
2. Authorize the City Manager, or his delegate, to execute individual agreements with each financing team member that will be negotiated closer to the actual refinancing transaction, for not to exceed amounts noted in the report below; and
3. Direct staff to return in May 2018 to hold a public hearing authorizing the refinancing of the 2007 Tax Allocation Bonds.

BACKGROUND:

In April 2007, the former Redevelopment Agency of the City, via the Riverside Public Finance Authority, issued four series of tax allocation bonds (TAB's) totaling \$156,270,000 to fund various projects associated with the City's Riverside Renaissance initiative. The following is a summary of the TAB's:

1. TAB's Series A and Series B bonds were issued with both taxable and tax-exempt components for the Downtown/Airport and Casa Blanca project areas in the amount of \$23,190,000;

2. TAB's Series C and Series D were issued with both taxable and tax-exempt components for the University Corridor/Sycamore Canyon, Arlington, Hunter Park/Northside, Magnolia Center and La Sierra/Arlanza project areas in the amount of \$133,080,000.

On May 16, 2017, the City Council approved the new Main Library as a Measure Z funding priority with a resolution for reimbursement of costs for the design of the Main Library project; and a professional consultant services agreement for architectural and engineering design services. On October 3, 2017, the City Council approved the three-story design of the New Main Library Project and amended the Measure Z five-year plan, by allocating \$9,692,600 from the Police Headquarters project to the Downtown Main Library Project for a total estimated project cost of \$39,692,600 for the New Main Library.

DISCUSSION:

Interest rates remain at historically low levels; however, it is anticipated that these low rates are reaching an end and an increase in interest rates is expected in early 2018. As such, the current financial market conditions allow for the refinancing of the 2007 Series A-D Tax Allocation Bonds and are anticipated to save the City's general fund approximately \$2,000,000.

Originally issued at \$156,270,000, the current outstanding amount of the 2007 Series A-D TABs is \$130,940,000. Under current market conditions, refinancing of the 2007 Series A-D TABs would lower interest rates from approximately 5.8% to approximately 3.2%. The opportunity to refinance the 2007 TAB's at lower interest rates translates into lower debt service payments and ultimately additional property tax revenue available for distribution to the taxing entities. The City's allocation of the anticipated savings is approximately 14%, or \$2,000,000, which would directly benefit the general fund. The reduction in debt service can be structured in a way that would maximize savings in the first five years of the refinancing with \$1,000,000 of that savings achieved in the first two years, \$650,000 in year 1 and \$350,000 in year 2. All savings estimates are net of transaction costs.

In anticipation of pending financing needs for the Main Library project and projected increases in interest rates, staff is attempting to seek synergy and minimize costs by securing a financing team that can facilitate the issuance of new debt of approximately \$40,000,000 for the design and construction of the new Main Library, and refinance the 2007 Series A-D TABs.

Staff requests that an experienced financing team be used for this specific financing/refinancing effort and recommends the following financing team members, whom have all worked for the City previously and are familiar with the City's current debt instrument structures. The agreement terms for each team member will be finalized closer to financing transaction and the estimated fees will be paid for with the proceeds from the financing:

1. CSG Advisors Inc. as the financial advisor for an amount not to exceed \$65,000 for TAB Refunding and an amount not to exceed \$37,500 for Library financing;
2. Stifel, Nicolaus & Co. as the investment banking firm for an amount not to exceed \$468,000 for TAB Refunding and an amount not to exceed \$260,000 for Library financing;
3. Stradling Yocca Carlson & Rauth as disclosure counsel for TAB Refunding for an amount not to exceed \$66,500; and as bond counsel for Library financing for an amount not to exceed \$56,500;

4. Jones Hall as bond counsel for TAB Refunding for an amount not to exceed \$110,000; and as disclosure counsel for Library financing for an amount not to exceed \$40,000; and
5. Diane Hadland Consulting for Successor Agency specific financial analysis for TAB Refunding for an amount not to exceed \$35,000.

The City is in the process of soliciting proposals to form a panel of financial advisors to assist with the selection of financing teams for future relevant debt transactions. The evaluation of proposals is currently underway and selection of the team is anticipated for March 2018.

FISCAL IMPACT:

The total estimated fiscal impact of the action is \$744,500 for the 2007 Series A-D TAB refunding and \$394,000 for the Main Library Project financing. These services will be paid for directly from the proceeds of the financing. The estimated savings achieved from the 2007 Series A-D TAB refunding will be used to help balance the Fiscal Year 2018-2020 Biennial Budget.

Prepared by: Adam Raymond, Chief Financial Officer/City Treasurer
Certified as to
availability of funds: Edward Enriquez, Controller/Deputy City Treasurer
Approved by: Marianna Marysheva, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney