



Item Number: 2

City Council / Commissioners / Successor Agency

Public Hearing(s)

Meeting of: February 4, 2025

Submitted By:

Keith C. Metzler, City Manager / Executive Director
Tony Camargo, Deputy City Manager
Jenele Davidson, Deputy City Manager
Carmen Cun, Finance Director / City Treasurer

Subject:

Consideration of Southern California Logistics Airport Authority Tax Allocation Refunding Bonds and Other Related Actions

Recommendation:

That the Honorable City Council, the Southern California Logistics Airport Authority ("SCLAA") Commission, and the City Council sitting as the Governing Board of the Successor Agency to the Victorville Redevelopment Agency ("Successor Agency"):

- (1) Hold a public hearing regarding the proposed issuance by SCLAA of tax allocation refunding bonds in an amount of not to exceed \$105 million to refinance certain public capital improvements;
- (2) Approve Resolution No. 25-009 approving the issuance and sale of not to exceed \$105 million aggregate principal amount of Southern California Logistics Airport Authority Tax Allocation Refunding Bonds, pledging the City's share of tax increment revenues thereto, and making certain findings in connection therewith;
- (3) Adopt Resolution No. SCLAA-25-002 authorizing the issuance and sale of tax allocation refunding bonds in an amount of not to exceed \$105 million, and approving the form of an Indenture of Trust, a Form of Escrow Agreement, a Form of Bond Purchase Agreement, and authorizing certain other actions in connection therewith; and
- (4) Adopt Resolution No. R-SA-25-001 approving, ratifying, and consenting to the addition of the Victorville Water District as a member of the Southern California Logistics Airport Authority.

Fiscal Impact:

Raymond James & Associates, Inc., the Underwriter, has provided estimates regarding certain financial aspects of the proposed refinancing of certain series of SCLAA tax

allocation bonds. These estimates have been reviewed by Urban Futures, Inc., the Municipal Advisor, and will be provided to the Victor Valley Economic Development Authority ("VVEDA") and San Bernardino Countywide Oversight Board ("Oversight Board"). As reflected in the Municipal Advisor Report (Attachment C), based on market conditions as of January 6, 2025, it is anticipated that issuance of the 2025 Tax Allocation Refunding Bonds ("2025 Bonds") will comply with the Savings Parameters (as defined in the Municipal Advisor Report) and will generate approximately **\$24.1 million in debt service savings over the life of the indebtedness and \$6.7 million in net present value savings, or 6.8% of refunded par**. Final savings achieved will not be determined until the sale of the 2025 Bonds. Since debt service payments are expected to be reduced, various taxing entities are anticipated to receive additional revenues as residual Redevelopment Property Tax Trust Fund moneys. **The City's General Fund residual share of the total estimated debt service savings is approximately \$2.8 million through 2043.**

Pursuant to Government Code Section 5852.1, the following good faith estimates* must be disclosed at a public meeting before the Commission's authorization of the 2025 Bonds:

<i>Information to be disclosed per Government Code Section 5852.1:</i>	<i>2025 Bonds</i>
Principal amount of the 2025 Bonds	\$86,420,000
True interest cost of the 2025 Bonds (the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of the Bonds)	4.04%
Finance charge of the 2025 Bonds (the sum of fees and charges paid to third parties, including bond insurer and surety provider):	\$3,425,698
Amount of proceeds received by the public body from the 2025 Bonds, less the finance charge of the 2025 Bonds and any reserves or capitalized interest paid or funded with proceeds of the 2025 Bonds	\$89,827,381
The total payment amount (the sum total of all debt service payments on the 2025 Bonds, plus the finance charge of the 2025 Bonds not paid from bond proceeds)	\$130,037,206

** These are good faith estimates only and are based on market conditions as of **January 6, 2025**. Final results will likely differ based on market conditions as of the actual sale date and other factors. These good faith estimates assume successful procurement of a surety policy for the Debt Service Reserve Fund and other key assumptions. The not to exceed amount of \$105 million in the Resolutions provides cushion in case these key assumptions are not realized. Only the amount of*

principal required to refund the Refunded Bonds and to pay for the finance charge of the 2025 Bonds will be issued.

Strategic Plan Goal:

The City of Victorville Strategic Plan 2023-2026 identifies multi-year strategic goals and various strategies to work toward achieving these goals. Goal A, Financial Sustainability, aims to foster fiscal health through disciplined long-term planning, cost control, increased revenues, and cost recovery. The 2025 Bonds are expected to yield significant debt service savings which is anticipated to result in higher future property tax distributions to the taxing entities, including the City.

Background:

The Victor Valley Economic Development Authority (“VVEDA”) is a joint exercise of powers authority formed by the County of San Bernardino, City of Hesperia, City of Victorville, City of Adelanto, and Town of Apple Valley (the “VVEDA Members”). VVEDA was authorized by Health and Safety Code Section 33492.40 to exercise the powers of a redevelopment agency with respect to the VVEDA Project Area. VVEDA is also authorized to issue refunding tax allocation bonds and other indebtedness for economic savings within the parameters set forth in Section 34177.5(a)(1) of the California Health and Safety Code. The VVEDA Project Area includes the former George Air Force Base parcels (“SCLA parcels”), which now make up the Southern California Logistics Airport (the “Airport”), and parcels “in proximity” to the SCLA parcels. These VVEDA Project Area parcels that are “in proximity” (i.e., exclusive of the SCLA parcels) are located within the various VVEDA Member jurisdictional boundaries (“VVEDA Member Agency Parcels”).

SCLAA is a joint powers authority authorized to exercise its powers, including the power to issue bonds and incur other indebtedness for any of its corporate purposes. In accordance with the terms of the VVEDA JPA, VVEDA delegated its decision-making authority with respect to the Airport to SCLAA, including the authority to issue bonds secured by tax increment revenues to finance and refinance redevelopment activities at the Airport. SCLAA was originally formed by agreement of the City and the former Victorville Redevelopment Agency; when the Victorville Redevelopment Agency was dissolved by statute in February 2012, the City and the Victorville Water District entered into an agreement to add the Victorville Water District as a member of SCLAA (the “SCLAA JPA Amendment”). Pursuant to the terms of the Joint Exercise of Powers Agreement creating SCLAA, the Successor Agency to the Victorville Redevelopment Agency now proposes to approve, ratify and consent to the SCLAA JPA Amendment by adoption of Successor Agency Resolution No. R-SA-25-001 (Attachment G).

SCLAA previously issued the following series of tax allocation bonds with respect to the Southern California Logistics Airport Project: (i) Tax Allocation Parity Bonds, Series 2005A; (ii) Housing Set-Aside Revenue Bonds, Refunding Series 2006; (iii) Tax Allocation Revenue Parity Bonds, Refunding Series 2006; (iv) Subordinate Tax Allocation Revenue Bonds, Series 2007; and (v) Subordinate Tax Allocation Revenue Bonds, Series 2008A (collectively, the “Refunded Bonds”). SCLAA will issue the 2025 Bonds to refinance the Refunded Bonds. The financing goal is to maximize economic savings by reducing total

debt service, and the savings generated from this refunding are anticipated to result in higher future property tax distributions to the taxing entities, including the City.

The following SCLAA prior obligations (the “Senior Bonds”) that have make-whole calls will remain outstanding and will have a senior lien on tax increment revenues generated in the VVEDA Project Area (after payment of County administrative costs, pass-through obligations, and certain other obligations of VVEDA): (i) Tax Allocation Revenue Parity Bonds, Taxable Series 2006; (ii) Tax Allocation Revenue Parity Bonds, Taxable Forward Series 2006; (iii) Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006; (iv) Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007; (v) Subordinate Tax Allocation Revenue Bonds Series 2008A Capital Appreciation Bonds.

The 2025 Bonds will be secured by tax increment revenues generated in the VVEDA Project Area on a subordinate basis to the Senior Bonds. To the extent required to pay its tax allocation bond debt service, SCLAA is entitled to 100% of the tax increment from the SCLA parcels. Tax increment generated within the VVEDA Member Agency Parcels are shared between SCLAA and the applicable Member Agencies (i.e., tax increment generated from VVEDA Member Agency Parcels located within the City of Victorville is shared between SCLAA and Victorville—same is true for unincorporated County territory, Town of Apple Valley, City of Hesperia, and City of Adelanto). The City of Victorville has pledged its share of tax increment revenues generated in the VVEDA Project Area within the City’s boundaries to the SCLAA Refunded Bonds and Senior Bonds; and, as part of the City’s Resolution No. 25-009 (Attachment A), will continue to pledge its share of tax increment revenues to the 2025 Bonds, on a subordinate basis to the Senior Bonds.

Public Hearing:

The 2025 Bonds are proposed to be issued by SCLAA pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (the “Marks-Roos Act”). Prior to the SCLAA Commission’s action to authorize issuance of the 2025 Bonds, the Marks-Roos Act requires the City to (1) hold a public hearing regarding the proposed issuance of the 2025 Bonds to consider public testimony concerning the sale and delivery of the 2025 Bonds; and (2) adopt a Resolution approving the issuance of the 2025 Bonds and finding that issuance of the 2025 Bonds will have a significant public benefit. The City is anticipated to hold the required public hearing and consider the required resolution this evening, prior to SCLAA’s consideration of its Resolution.

Discussion:

It is anticipated that SCLAA will issue approximately \$86.42 million 2025 Bonds to refinance the Refunded Bonds and to pay for Costs of Issuance, including bond insurance and a surety policy for the Debt Service Reserve Fund. Based on the current interest rate environment and other reasonable assumptions, SCLAA is able to achieve savings by refunding the Refunded Bonds. Issuing the 2025 Bonds to refinance the outstanding principal of the Refunded Bonds is expected to **generate estimated gross debt service savings of approximately \$24.1 million, and net present value savings of approximately \$6.7 million (or 6.8% of the refunded bond amount).** The City’s

General Fund residual share of the total estimated debt service savings is approximately \$2.8 million through 2043.

The 2025 Bonds will be issued with fixed interest rates and will have a final maturity of December 1, 2043, amortizing in the same years as the Refunded Bonds. The true interest cost for the 2025 Bonds is estimated to be approximately 4.04% in the current market.

The City Resolution No. 25-009 approves the issuance of the 2025 Bonds, confirms that the City will continue to pledge its share of tax increment revenues generated in the VVEDA Project Area to the 2025 Bonds, on a subordinate basis to the Senior Bonds, and directs VVEDA to transfer the City's share of tax increment revenues directly to SCLAA to the extent needed to pay debt service on the Senior Bonds, to pay debt service on the 2025 Bonds, and to make any other payments required in the indentures. The City Resolution No. 25-009 also makes a finding that there are significant public benefits to the citizens of the City through the issuance of the 2025 Bonds as it will result in demonstrable savings in effective interest rate to the City and provide a more efficient delivery of public services to the community.

The SCLAA Resolution No. SCLAA-25-002 (Attachment B) approves the issuance of the 2025 Bonds, adopts the City's Debt Management Policy (Council Policy CP-18-06, last revised February 19, 2019), and appoints and retains the financing team, which includes Urban Futures, Inc. as Municipal Advisor; Stradling Yocca Carlson & Rauth as Bond and Disclosure Counsel; The Bank of New York Mellon Trust Company, N.A., as Trustee and Escrow Agent; and Raymond James & Associates, Inc., as Underwriter. The City has also retained the services of Harris and Associates to prepare an independent forecast in the form of a Fiscal Consultant's Report of projected tax revenues that would be available to the SCLAA for the 2025 Bonds. A preliminary estimate of costs of issuance, including underwriter's discount but excluding bond insurance and reserve policy premiums, is approximately \$696,500. Other than the rating agency's fee and the Fiscal Consultant's fee, costs of issuance are contingent on the bond sale and would be paid from 2025 Bond proceeds. Further, the debt service savings analysis takes the estimated costs of issuance into account. The SCLAA Resolution No. SCLAA-25-002 also approves all documents and actions needed to authorize the issuance and sale of the 2025 Bonds, including the following substantially final form financing documents together with any changes or additions deemed advisable and approved by an Authorized Officer:

- **Indenture of Trust** (Attachment D) between SCLAA and the Trustee, which sets forth the material terms and provisions relating to the 2025 Bonds and whereby the Trustee agrees to certain rights and duties related to the 2025 Bonds.
- **Escrow Agreement** (Attachment E) between SCLAA and the Escrow Agent containing terms by which the Escrow Agent will hold the 2025 Bond proceeds on behalf of the owners of the Refunded Bonds to pay and discharge these Bonds on the redemption date and give proper notice to the owners.

- **Bond Purchase Agreement** (Attachment F) between SCLAA and the Underwriter, pursuant to terms and provisions of which the 2025 Bonds will be sold with a negotiated method of sale, such terms and provisions including an underwriter's discount not to exceed 0.45% of the principal amount of the 2025 Bonds.

Additionally, the financing team is investigating whether the cash-funded debt service reserve funds of certain outstanding Senior Bonds can be replaced with surety policies, applying the released cash reserve funds to defease Refunded Bonds, thus lowering the principal amount of the 2025 Bonds and increasing the overall cash flow savings. The SCLAA Resolution No. SCLAA-25-002 authorizes Authorized Officers to execute this option should it be available and advisable, in consultation with Bond Counsel and the Municipal Advisor.

If the City Council approves its Resolution No. 25-009, and the SCLAA Commission approves its Resolution No. SCLAA-25-002, staff will return to the SCLAA Commission for approval of the Preliminary Official Statement and Continuing Disclosure Certificate related to the 2025 Bonds. The VVEDA Commission will also consider approving the proposed financing at its meeting on February 13, 2025. Additionally, the Countywide Oversight Board will consider approving the proposed financing at its meeting on March 6, 2025. If the Oversight Board adopts its Resolution and the other materials submitted, then the Oversight Board action will be subject to approval by the California Department of Finance ("DOF"). DOF has up to 65 days to review the Oversight Board's action which process is expected to conclude in May, after which the 2025 Bonds will be sold and issued.

If the Successor Agency approves its Resolution No. R-SA-25-001, the Successor Agency will request approval of this item from the Oversight Board as well. If approved by the Oversight Board, DOF has up to 40 days to review the Oversight Board's resolution relating to the SCLAA JPA Amendment.

Attachments:

- A. Resolution No. 25-009
- B. Resolution No. SCLAA-25-002
- C. Municipal Advisor Report
- D. Form of Indenture of Trust
- E. Form of Escrow Agreement
- F. Form of Bond Purchase Agreement
- G. Resolution No. R-SA-25-001