

**OVERSIGHT BOARD
FOR THE SOUTH TAHOE REDEVELOPMENT SUCCESSOR AGENCY
SPECIAL MEETING MINUTES**

Friday, August 8, 2014, 2:00 p.m.
City Council Chambers
1901 Airport Rd.
South Lake Tahoe, California 96150

NOTE: The Minutes represent the brief summary/actions of items taken at the August 8, 2014, meeting. Complete Board member discussion on agenda items are kept on audio tape per the City's record retention policy and detail on agenda items can be reviewed in the staff reports contained in the agenda packet which is kept on file in the City Clerk's department as permanent record or on the City's website at <http://www.cityofslit.us>

CALL TO ORDER/PLEDGE OF ALLEGIANCE TO THE FLAG:

At 2:20 p.m., Chair Cole called the meeting to order and led the pledge of allegiance to the flag.

ROLL CALL:

Present at the meeting site were Chair Cole, Board Members Kerry, Murillo and Vogelgesang. Board Members Mikulaco and Baugh participated via teleconference at 4359 Town Center Blvd., Ste. 106, El Dorado Hills, CA. Absent was Board Member Meyers. Also present were City Attorney Watson, Assistant City Clerk Palazzo, Administrative Services Director Carlson and Bob Gamble, Financial Advisor, PFM Associates.

Board Member Mikulaco noted that the meeting agenda was posted 72 hours in advance according to the Brown Act.

PUBLIC COMMUNICATIONS: None

NEW BUSINESS:

- a) **Resolution of the Oversight Board of the South Tahoe Redevelopment Successor Agency Approving the Successor Agency's Issuance of Tax Allocation Notes and Transient Occupancy Tax Notes to Refund Outstanding Indebtedness of the Successor Agency and Taking Certain Related Actions**

Administrative Services Director Carlson provided the board with a PowerPoint presentation entitled "Redevelopment in South Lake Tahoe-Refunding of Current Callable Bonds" and furnished a narration of the following slides. (A copy of the PowerPoint is attached)

- Financing Team
- Project Area History
- Redevelopment Plan Area
- First RDA Projects
- Heavenly Village
- Heavenly Village Before
- Heavenly Village Site Plan
- Heavenly Village After
- Redevelopment Financed with Multiple Sources

Administrative Services Director Carlson noted the financing team was composed of long-term, experienced people who have previously worked for the city. Carlson stated the city went out for proposals and referred to the presentation for the selection criteria. Carlson provided the board with history of the redevelopment projects and noted the various sources that financed redevelopment projects.

NEW BUSINESS (a) Continued:

Bob Gamble furnished a narrative of the balance of the slides entitled:

- Outstanding Bond Obligations
- Value of Redeveloped Properties
- Refunding Overview
- Estimated Refunding Results
- Aggregate Debt Service
- Bond Refunding
- Documents
- Today's Board Action(s)

Gamble provided a detailed explanation of the outstanding bond obligations and a history of the value of the redeveloped properties. Gamble stated the current transaction included the 1999, 2003 and 2004 bonds. He noted the 2005 and 2007 bonds were expected to be refundable depending on the interest rates. Gamble reported in 1999-2000 the total of the three projects prior to the Great Recession totaled approximately \$539M, which demonstrated a substantial return on investment compared to the outlay of \$90M from the public side. Gamble stated there was \$4M in annual Transient Occupancy Tax (TOT), which was a revenue source for the bonds and also provided a revenue source for the city. Gamble stated the par amount of the bonds was \$27,825,000 and the true interest cost was 4.47%. He explained there was a three-month period prior to refunding and conditions could change depending on the market. Gamble stated the projection of net value of savings was just over \$2M which was 7.06% of the bonds being refunded. He noted that a typical bond refunding was 3% and even if the bond market turned less favorable, it would still make sense to refund the bonds. He further stated the purpose of refunding was to capture interest savings available in the current bond market and the average cash flow savings with the current numbers was \$150,000 annually. Gamble stated the 2014 bonds would refund the 1999A, 2003A and the 2004A Series bonds. He noted the 2005A and the 2007A bonds were not yet callable until 2015 and 2017 respectively. Gamble also stated the Department of Finance (DOF) had 60 days to review and provide their approval. He stated when all debt was refunded including the 2005 and 2007 series and property values recovered; a surplus would become available to all the taxing entities with some growth overtime. Gamble noted the various agreements that would be forwarded to the DOF upon adoption of the resolution for review. If approved by the Oversight Board and the DOF, the financing team would proceed with preparation for market placement and return to the Successor Agency with the final financing terms. He noted the expected rating for the bonds would be in the "A" range. Gamble stated as property values continued to increase with the new construction in the area, the property tax increment would increase sufficiently to cover all the debt service and all the other obligations, as well as, additional funds to the taxing entities in accordance with dissolution law.

Member Mikulaco asked if the \$2M in savings was one-time savings or annual savings.

Gamble stated it was the net present value of the stream of savings created until the life of the bonds - year 2034. He noted the actual real dollar savings was \$2.7 M.

Member Mikulaco asked what the cost was of refinancing the bonds.

NEW BUSINESS (a) Continued:

Gamble stated the transaction cost was approximately \$250,000.

Member Baugh mentioned there was a premium on the bonds.

Gamble stated the bonds were callable and there was no premium because the bonds were older than 10 years.

Member Baugh questioned the premium amount of \$1.6M listed on Attachment 8 of the staff report, page 3, entitled "Estimated Sources and Uses of Funds".

Gamble provided a detailed explanation of the page and stated sources of funds were associated with the bonds being refunded now and the uses showed where the money would go.

Further discussion was held regarding the sources and uses of funds and true interest costs.

Member Mikulaco asked what the rate comparison was between refinancing and not refinancing.

Gamble stated the current rate was already set and nothing would change if no action was taken and if action was taken today, there would be a lower rate and a savings of approximately \$2M net present value.

Member Baugh asked what the combined average rate of the three bonds was, as a way of comparison to the 4.47% true interest cost.

Gamble stated he did have the number, but guessed it was over 5%.

Member Baugh asked how a shortfall would be handled in the refunding.

Gamble stated a shortfall could not happen.

Member Baugh asked what would happen if there was a surplus after the bonds were sold.

Gamble stated the savings would accrue to the taxing entities and the Successor Agency.

Member Baugh asked if there was expected to be any meaningful amount of surplus.

Gamble stated it would depend on the market conditions at the time of sale.

Chair Cole stated the hope was that as property tax increased there would be more tax increment accrued than debt service and the surplus would be distributed to the taxing entities.

Member Baugh asked for clarification regarding grants.

Chair Cole stated no grants were available to assist in paying off debt.

Member Baugh remarked the slide showing multiple sources of financing was for historical reference.

NEW BUSINESS (a) Continued:

Further discussion was held regarding repayment of debt.

A vote was taken as follows:

IT WAS MOVED BY BOARD MEMBER MURILLO AND SECONDED BY BOARD MEMBER KERRY TO ADOPT OVERSIGHT BOARD RESOLUTION NO. 2014-7 APPROVING THE SUCCESSOR AGENCY'S ISSUANCE OF TAX ALLOCATION NOTES AND TRANSIENT OCCUPANCY TAX NOTES TO REFUND OUTSTANDING INDEBTEDNESS OF THE SUCCESSOR AGENCY AND TAKING CERTAIN RELATED ACTIONS

A roll call vote was taken as follows:

**AYES: COLE, BAUGH, KERRY, MURILLO & VOGELGESANG
ABSTAIN: MIKULACO
ABSENT: MEYERS**

OVERSIGHT BOARD MEMBER ANNOUNCEMENTS/COMMENTS:

Board Member Kerry noted the redevelopment properties had been listed and there was interest. Once an offer was submitted, it would go to the Successor Agency and then to the Oversight Board and DOF for approval. Currently the Osgood property had an offer to be heard by the Successor Agency on September 2nd and another Oversight Board meeting would need to convene after that meeting. She stated the DOF had approved the following Oversight Board actions: 1) the transfer of the Heavenly Village parcel to the City 2) sale of the Southwest Corner and 3) SERAF loan added to the ROPS. They are currently considering the action on the city loan to the RDA for inclusion on the ROPS.

The board provided consensus to convene a meeting on September 12th-2 p.m.

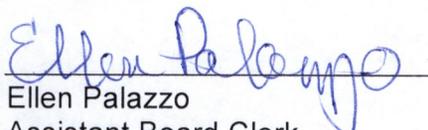
Member Mikulaco asked how many properties were currently for sale.

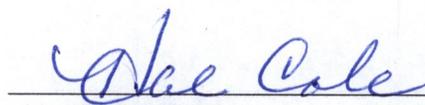
Member Kerry stated there were 5 parcels: Osgood, Riverside, Paradise and two parcels near the triangle property. Kerry also stated there were 10 Residential Units of Use and some Tourist Accommodation Units for sale.

ADJOURNMENT:

Chair Cole adjourned the meeting at 3:03 p.m.

Respectfully Submitted by:


Ellen Palazzo
Assistant Board Clerk


Hal Cole, Chair