



Legislation Details (With Text)

File #: ID 20-001117 **Version:** 1 **Name:** Promenade Lot Asset Release from 2004 Lease Revenue Bonds
Type: Action Item **Status:** Agenda Ready
File created: 8/20/2020 **In control:** City Council
On agenda: 8/27/2020 **Final action:** 8/27/2020

Title: Actions pertaining to the Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Various Capital Projects), Series 2004:
 1. RESOLUTION of the City Council of the City of Fresno authorizing the release of facilities (Promenade Parking Lot) and amendment to the Facilities Lease and Facilities Sublease relating to the Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Various Capital Projects), Series 2004 and approving the taking of all necessary or desirable actions in connection therewith (Council action)
 2. RESOLUTION of the Fresno Joint Powers Financing Authority authorizing the release of facilities (Promenade Parking Lot) and amendment of the Facilities Sublease relating to the Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Various Capital Projects), Series 2004 and approving the taking of all necessary or desirable action in connection therewith (Authority action)

Sponsors: Finance Department

Indexes:

Code sections:

Attachments: 1. City Resolution.pdf, 2. JPFA Resolution.pdf, 3. Facilities Lease.pdf, 4. Facilities Sublease.pdf

Date	Ver.	Action By	Action	Result
8/27/2020	1	City Council	adopted	Pass

REPORT TO THE CITY COUNCIL

August 27, 2020

FROM: MICHAEL LIMA, Finance Director/City Controller
Finance Department

BY: PHILLIP HARDCASTLE, Principal Accountant - Debt Administration
Finance Department

SUBJECT

Actions pertaining to the Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Various Capital Projects), Series 2004:
 1. RESOLUTION of the City Council of the City of Fresno authorizing the release of facilities (Promenade Parking Lot) and amendment to the Facilities Lease and Facilities Sublease relating to the Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Various Capital Projects), Series 2004 and approving the taking of all necessary or desirable actions in connection therewith (Council action)
 2. RESOLUTION of the Fresno Joint Powers Financing Authority authorizing the release of

facilities (Promenade Parking Lot) and amendment of the Facilities Sublease relating to the Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Various Capital Projects), Series 2004 and approving the taking of all necessary or desirable action in connection therewith (Authority action)

RECOMMENDATION

Staff recommends that the Council and Authority approve the respective resolutions authorizing Staff to proceed with the release of the Promenade Parking Lot from the list of assets securing the Fresno Joint Powers Financing Authority (the "Fresno JPFA") Lease Revenue Bonds (Various Capital Projects), Series 2004 (the "2004 Bonds").

EXECUTIVE SUMMARY

On May 10, 2017, the Fresno JPFA issued refunding bonds (the "2017 Bonds") to refinance several of its outstanding bonds, including the tax-exempt portion of the 2004 Bonds. Assets were pledged by the City to the Fresno JPFA to secure the 2017 Bonds. Prior to refinancing, the fair rental value of the assets secured by the 2004 Facilities Leases and 2004 Facilities Subleases were approximately equal to the Base Rental Payment that the City was making to the Fresno JPFA. Subsequent to the refinancing, the fair rental value exceeded the Base Rental Payment. Removing the Promenade Lot from the list of assets securing the remaining 2004 bonds will bring the fair rental value closer to the Base Rental Payment. As required by the Facilities Leases and Subleases, the Bond Insurer has consented to allow the release of the Promenade Lot from the Facilities Lease and Facilities Sublease.

BACKGROUND

On May 10, 2017, the Fresno JPFA issued the 2017 Bonds to refinance several of its outstanding bonds, including the tax-exempt portion of the 2004 Bonds. This refinancing occurred for the sole purpose of savings to the City by lowering its overall payments.

As a condition of the refinancing, assets were pledged by the City to the Fresno JPFA to secure the 2017 Bonds. When the 2017 Bonds were issued, assets remaining as security for the 2004 Bonds consisted of the Promenade Parking Lot, two fire stations and the Convention Center Parking Garage. Prior to refinancing, the fair rental value of these assets was approximately equal to the Base Rental Payment that the City was making to the Fresno JPFA. Subsequent to the refinancing, the fair rental value exceeded the Base Rental Payment. With the assistance of the City's financial advisor, bond counsel, and staff at City's refinancing banker, the Finance Department reviewed the collateralized assets for candidates to remove from the list of pledged assets in order to bring the fair rental value of the assets down to equal the Base Rental Payments. Any assets removed through this analysis would require consent of the Bond Insurer, as required in the Facilities Lease and Facilities Sublease.

The Promenade Parking Lot was selected due to its size and fair rental value. While the fire stations could have been selected for release, the Bond Insurer had concerns about releasing them due to their essential purpose to the City. The analysis also determined that removing the Convention Center Parking Garage from the pledged asset list would leave the bonds under-collateralized: a condition that was unacceptable to the Bond Insurer.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 this matter does not qualify as a “project” and is therefore exempt from the California Environmental Quality Act requirements.

LOCAL PREFERENCE

Local preference was not considered because this resolution does not include a bid or award of a construction or service contract.

FISCAL IMPACT

The City has no obligation or liability associated with the requested release. Base Rental Payment from the City to the Fresno JPFA, and debt service payment from the Fresno JPFA to the bondholders will not change.

Attachments: Resolutions (2)

First Amendment to Facilities Lease (No. 2004-2)

First Amendment to Facilities Sublease (No. 2004-2)