



Legislation Details (With Text)

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Title: ***RESOLUTION - 7th amendment to the Annual Appropriation Resolution (AAR) No. 2016-118 appropriating \$514,900 for the Redemption of the Blosser Judgment Obligation Bond Debt Service (Requires 5 affirmative votes)

Sponsors: Office of Mayor & City Manager

Indexes:

Code sections:

Attachments: 1. 7th Amendment to the AAR No. 2016-118

Date	Ver.	Action By	Action	Result
8/25/2016	1	City Council	Approved and Returned Signed	Pass

REPORT TO THE CITY COUNCIL

August 25, 2016

BY: R. RENENA SMITH, Assistant City Manager

SUBJECT

***RESOLUTION - 7th amendment to the Annual Appropriation Resolution (AAR) No. 2016-118 appropriating \$514,900 for the Redemption of the Blosser Judgment Obligation Bond Debt Service (Requires 5 affirmative votes)

RECOMMENDATION

Staff recommends that the Council approve the 7th Amendment to the Annual Appropriation Resolution No. 2016-118 to appropriate \$514,900 for the Redemption of the Blosser Judgment Obligation Bond Debt Service.

EXECUTIVE SUMMARY

The City of Fresno Judgment Obligation Bonds, Series 2002 (Bonds) were issued pursuant to a Trust Agreement dated June 1, 1994. The proceeds were applied to pay a litigation settlement and to take title to the property located on the southwest corner of Herndon and Brawley. Final maturity of the bond is August 15, 2017. The current balance required for redemption of this debt

is \$1,055,100. The FY 2017 Budget included \$540,200 to be applied towards the FY 2017 debt service and fees. Additionally, the option to purchase agreement with Garreks, Inc., approved by the Council earlier this year, provides \$450,400 proceeds along with \$64,500 budgeted to apply towards redemption nine months ahead of schedule. Once the property is no longer encumbered by the debt the lien on the property will be released which allows title of the property to transfer consistent with the option to purchase agreement.

BACKGROUND

In October 1992, after a jury trial verdict, the Court entered Judgment, including litigation expenses against the City of Fresno in a suit brought forward by the Blosser Family. The magnitude of the settlement posed a hardship for the City. As a result, the Judgment Obligation Bonds, Series 1994 (Bonds) were issued pursuant to a Trust Agreement dated June 1, 1994. The Proceeds were applied to pay a litigation settlement and to take title to the property located on the southwest corner of Herndon and Brawley. The Bonds were refinanced in 2002. Final maturity of the bond is August 15, 2017. The current balance that is required for redemption of this property is \$1,055,100.

The proposed transaction will combine existing budget authority of \$604,700 with \$450,400 proceeds from the lease/purchase option to pay off the debt in October 2016 rather than the originally final maturity date of August 15, 2017.

In January 2016, the Council approved the ground lease for ±3.34 acre property, with an option to purchase, from the City of Fresno (as lessor/seller) to Garreks, Inc., a California Corporation (as lessee/buyer) for the construction of a Chevron gas station with 12 fueling stations, a ±3,500 square-foot convenience store, and a drive-through car wash. The property is currently pledged as security for a bond owned by the City. This transaction will pay off the debt in October 2016 saving approximately \$10,000 in interest as well as releasing the lien on the property. The release of the lien will allow the City of Fresno to transfer title to Garreks, Inc. consistent with the terms of the option agreement.

ENVIRONMENTAL FINDINGS

N/A

LOCAL PREFERENCE

N/A

FISCAL IMPACT

The resolution recognizes the \$450,400 revenue received from Garreks, Inc. in August 2016, transfers \$64,500 budgeted in General City Purpose and appropriates the funds to be applied towards the redemption of the Judgment Obligation Bond. This transaction will pay off the debt early, releasing the lien to allow for the transfer of title. The remaining property associated with this site will no longer be constrained by the debt should the City of Fresno find an interested investor or pursue development.

Attachments:

7th Amendment to the Annual Appropriations Resolution No. 2016-118