



Santa Clara Valley Water District

File No.: 17-0409

Agenda Date: 6/27/2017

Item No.: 3.4.

BOARD AGENDA MEMORANDUM

SUBJECT:

Subordination Request Relating to Proposed Refunding Bond Issue for Merged Redevelopment Project Area of the Successor Agency to the Redevelopment Agency of the City of San Jose.

RECOMMENDATION:

Authorize the Interim Chief Executive Officer to execute the Acknowledgement Letter to subordinate Statutory Pass-through Payments to the District pursuant to the request letter from the Successor Agency to the Redevelopment Agency of the City of San Jose dated May 24, 2017.

SUMMARY:

On May 25, 2017, the District received a letter from the Successor Agency to the Redevelopment Agency of the City of San Jose (the "Successor Agency") dated May 24, 2017 requesting that the District approve the subordination of Statutory Pass-through Payments to the District to the Successor Agency's debt service payment obligations for the proposed refunding bonds.

On May 18, 2017, the Successor Agency Oversight Board adopted a resolution to approve various actions related to the sale and issuance of multiple series of tax allocation refunding bonds to refund outstanding bonds of the Successor Agency to achieve significant economic savings, subject to the final approval of the State Department of Finance(Oversight Board Agenda Item 6.1: <http://www.sanjoseca.gov/DocumentCenter/View/68692>). The report to the Oversight Board cited an estimated aggregate net present value savings of approximately \$160 million or 9% of the refunded par amount based on market conditions as of May 1, 2017. In order to achieve such significant economic savings, the Successor Agency developed various financing strategies, including creating a stronger revenue pledge through the subordination of the Statutory Pass-Through Payments to debt service, which requires the written approval of the affected taxing entities such as the District.

As stated in the Successor Agency's Letter, pursuant to California Health and Safety Code Section 34177.5(c)(3), to disapprove the subordination request, the District must find, based on substantial evidence, that the Successor Agency will not be able to pay the debt service on the refunding bonds and the Statutory Pass-through Payments that it is required to pay the District. Staff is not aware of any such substantial evidence. Based on the tax increment revenue projection and debt service coverage analysis prepared by the Fiscal Consultant, Urban Analytics LLC as attached to the Successor Agency's letter dated May 24, 2017, staff anticipates that the District will not experience

any material changes to the Statutory Pass-Through Payments it currently receives, and the risk of any future negative financial impacts is low. Given the above analysis, staff recommends that the Board authorize the Interim Chief Executive Officer to approve the subordination request.

FINANCIAL IMPACT:

There is no immediate financial impact associated with this item.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: Successor Agency Letter

UNCLASSIFIED MANAGER:

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