

City of Pacifica

2015-16 Status of City Revenues



**Lorenzo Hines Jr.,
Assistant City Manager**

March 14, 2016



City of Pacifica

2015-16 Status of City Revenues

- Recap of activities related to several sources of City funds;
- Determine what funding might be available for City response to the current emergency conditions and needed infrastructure repairs.



City of Pacifica

2015-16 Status of City Revenues

- Excess Education Augmentation Revenue Fund
 - San Mateo County is one of the very few counties in the State to have Excess Education Revenue Augmentation Funds (“Excess ERAF”).
 - These are funds collected by the County for education needs that are sometimes in excess of the required amount.
 - Revenues date back to 1999-00; ranged from a low of \$0 in 2003-04 to a high of \$1.8 million in 2014-15.



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Table 1. Fund 30 Excess ERAF Activity - March 2015

Excess ERAF monies received for 2014-15	\$1,780,000
Pacifica Beach Coalition (sponsorship of EcoFest)	(\$3,000)
Pacifica Resource Center (grant)	(\$83,000)
Allocate funds needed to purchase the “Colt Property” before the purchase agreement expired in December 2015 (estimated amount)	(\$600,000)
Allocate the remaining balance to Phase I of the Palmetto Streetscape Project (estimated cost \$2.5 million; City awarded grant of \$1 million)	(\$1,094,000)
Balance of 2014-15 funds remaining - Mar. 2015 (estimated)	\$0



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Table 2. Fund 30 Excess ERAF Activity - December 2015

Balance of funds remaining - March 2015	\$0
Grants awarded for reimbursement of property purchase (estimated)	\$560,000
Allocation toward library planning	(\$129,000)
Allocation toward demolition of 320 Esplanade Ave.	(\$400,000)
Balance of 2014-15 funds remaining - Dec. 2015 (estimated)	\$31,000



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Table 3. Fund 30 Excess ERAF Activity - February 2016

Excess ERAF monies received for 2015-16	\$1,637,000
Pacifica Beach Coalition (sponsorship of EcoFest)	(\$3,000)
Pacifica Resource Center (grant of \$83,000 + \$13,000)	(\$96,000)
Emergency repairs to the Beach Blvd. sea wall & promenade	(\$450,000)
Contract for engineering design services related to the Milagra Outfall repair	(\$45,000)
Balance of 2015-16 funds remaining - Feb. 2016 (estimated)	\$1,043,000



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- Certificates of Participation (COP)
 - The City has used Certificates of Participation to finance various projects. COPs.
 - Similar to bonds and used to access large sums of money for projects. The ensuing debt is repaid from existing City revenues (not new taxes) and existing City facilities are used to guarantee payment.



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- Dated July 28, 2008, and
- Purpose was to refinance existing debt in order to move from a variable interest rate to a fixed rate along with adding \$1.5 million in new debt for:
- “...(i) the reconstruction of certain City streets, including sidewalks, curbs and curb ramps; (ii) installation of retaining walls; (iii) pavement rehabilitation; (iv) street light replacement; (iv) drainage improvements; and (v) other City approved public infrastructure and public facilities (the “2008 Improvements”).”



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REOFFERING – NOT A NEW ISSUE – BOOK-ENTRY ONLY

INSURED RATING: S&P: "AA"

UNDERLYING RATING: S&P: "A"

(See "CERTIFICATE INSURANCE" and "RATINGS" herein)

In the opinion of Greenberg Traurig, LLP, Santa Monica, California, Special Counsel, subject, however, to certain qualifications described herein, under existing law, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants set forth in the documents and instruments pertaining to the Certificates and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, the portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; although, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$19,815,000

CERTIFICATES OF PARTICIPATION

(2008 Conversion of 2006 Auction Rate Certificates)

Evidencing Direct, Undivided Fractional Interests of the Owners Thereof

In Lease Payments to be Made by the

CITY OF PACIFICA, CALIFORNIA

As the Rental for Certain Property Pursuant to a Lease Agreement with the CITY OF PACIFICA FINANCING AUTHORITY

Dated: Date of Delivery

Due: January 1, as shown on inside cover page

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT A SUMMARY OF THIS ISSUE OR THE SECURITY FOR THE CERTIFICATES. INVESTORS ARE ADVISED TO READ THE ENTIRE REOFFERING MEMORANDUM TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING AN INFORMED INVESTMENT DECISION.

This is a reoffering of the above-captioned City of Pacifica (the "City") Certificates of Participation (the "Certificates") that were initially offered (the "Original Certificates") and executed pursuant to a Trust Agreement dated as of May 1, 2006 (the "Original Trust Agreement"), by and among the City, the City of Pacifica Financing Authority (the "Authority") and Wells Fargo Bank, National Association, as trustee thereunder (the "2006 Trustee"). In connection with the interest rate conversion described herein (the "Conversion"), the Original Trust Agreement will be amended and restated by the Amended and Restated Trust Agreement, dated as of August 1, 2008 (together with the Original Trust Agreement and the amendments and supplements hereto, the "Trust Agreement"), by and among the City, the Authority and Deutsche Bank National Trust Company (the "Trustee"). The Certificates were originally executed and delivered for the principal purpose of refunding certain City debt obligations which were originally issued to finance the acquisition, construction and equipping of certain City public improvement projects (collectively, the "Original Improvements"). See "THE FINANCING PLAN" herein.

The Original Certificates were initially executed and delivered as auction rate securities on May 16, 2006 in the aggregate principal amount of \$15,725,000 with a final maturity date of January 8, 2037, with interest rates correspondingly changing from time to time in conjunction with the auction rate market. In connection with the reoffering of the Certificates pursuant to this Reoffering Memorandum, the interest rates applicable to the Certificates are being fixed to their respective maturities at their respective rates shown on the inside front cover page hereof. Such interest will be payable on January 1 and July 1 of each year, commencing January 1, 2009.

The Project (as defined herein) has been undertaken by the City for the purpose of issuing the Certificates, the proceeds of which are anticipated to be used to (i) fund an escrow to cause the mandatory tender of all outstanding Original Certificates necessary to cause the Fixed Rate Conversion thereof; (ii) provide funds relating to the acquisition, construction and equipping of certain City public street improvement projects (the "2008 Improvements"); (iii) fund certain costs relating to termination of a swap agreement relating to the Original Certificates; (iv) fund capitalized interest; (v) fund or provide for satisfaction of the Reserve Fund Requirement; and (vi) pay the costs incurred in connection with the execution, delivery and sale of the Certificates. See "THE FINANCING PLAN" herein.

Upon Conversion, the Certificates represent direct, undivided fractional interests of the owners thereof in the lease payments (the "Lease Payments" and each a "Lease Payment") to be made by the City to the Authority for the use and occupancy of the Site and Facilities as described in the First Amended and Restated Lease Agreement, dated as of May 1, 2006, by and between the Authority and the City (the "Original Lease Agreement"); as amended by the Amendment to First Amended and Restated Lease Agreement, dated as of August 1, 2008 (together with the Original Lease Agreement and the amendments and supplements hereto, the "Lease Agreement"), by and between the City and the Authority. Pursuant to the Lease Agreement, the Authority will lease to the City the Site and Facilities, as more particularly set forth in the Lease Agreement (the "Site and Facilities"). Prior to Conversion, proceeds of the Certificates, in an amount necessary to convert the Original Certificates as set forth herein, will be deposited in a designated escrow fund and held in escrow as collateral security for the Certificates until the Conversion Date. See "THE CERTIFICATES" and "THE FINANCING PLAN" herein.

The Certificates are being executed and delivered in denominations of \$5,000 and integral multiples thereof in book-entry form only and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the Certificates will not receive certificates representing their beneficial ownership thereof but will receive credit balances on the books of their respective nominees. The principal of and interest evidenced by the Certificates are payable by the Trustee to Cede & Co.; and such interest and principal payments are to be disbursed to the beneficial owners of the Certificates through their nominees. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Certificates are subject to optional, mandatory and special prepayment prior to their respective maturities, in accordance with the terms of the Trust Agreement. See "PREPAYMENT PROVISIONS" herein.

The scheduled payment of principal of and interest on the Original Certificates when due is guaranteed under a financial guaranty insurance policy No. 25290381 effective May 16, 2006 (the "Original Policy"), issued by Ambac Assurance Corporation (the "Insurer" or the "Certificate Insurer"), which Original Policy continues, along with a certain Financial Guaranty Insurance Policy issued by the Certificate Insurer effective simultaneously with the original delivery of the Certificates (the "2008 Policy" together with the Original Policy, the "Policy" or "Certificate Insurance Policy"), to guaranty the payment of principal of and interest on the Certificates. The City has not reviewed the financial condition of the Insurer and makes no representation as to such Policy or financial condition of the Insurer. Prospective purchasers of the Certificates should rely on the City's ability to make Lease Payments in determining whether to invest in the Certificates. See "THE CERTIFICATE INSURANCE POLICY" and "RISK FACTORS" herein.

Ambac

The City is, subject to abatement as described herein, legally required under the Lease Agreement to make Lease Payments in an amount sufficient to pay, when due, the principal and interest with respect to Certificates in each year in consideration of the use and occupancy of the Sites and Facilities from any source of legally available funds. The City has covenanted under the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations therefor.

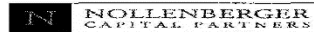
MATURITY SCHEDULE

(See inside front cover page)

THE OBLIGATION OF THE CITY TO PAY LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION OR OTHER FAITH AND CREDIT OF THE CITY. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO PAY LEASE PAYMENTS ARE SUBJECT TO THE DEBT LIMITS OF THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR OTHERWISE.

The Certificates are reoffered, when, as and if executed, delivered to and received by the Underwriter, subject to approval of legality by Greenberg Traurig, LLP, Santa Monica, California. Special Counsel. All legal matters will be passed upon for the City and the Authority by their general counsel, respectively. Certain legal matters will be passed upon for the City by its Disclosure Counsel, The Weist Law Firm, A Professional Law Corporation, Scotts Valley, California. It is anticipated that the Certificates in book-entry form, will be available for delivery in New York, New York on or about July 31, 2008 for deposit with DTC.

Dated: July 28, 2008



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applicable to the Certificates becoming fixed to the respective maturity dates of the Certificates at the interest rates indicated on the inside front cover page hereof, as specifically set forth in the Trust Agreement (the "Conversion"). Such interest will be payable on January 1 and July 1 of each year, commencing January 1, 2009.

In accordance with the Original Trust Agreement, all Original Certificates, whether or not tendered for purchase on or prior to Conversion Date, will be deemed purchased on the Conversion Date at a price of one hundred percent (100%) of the principal amount thereof, plus accrued and unpaid interest to such date, as set forth in the Trust Agreement. Prior to Conversion, a portion of the proceeds of the Certificates, in an amount necessary to convert the Original Certificates in full on the Conversion Date, will be deposited and invested in strict accordance with the Conversion Fund Escrow Agreement (as defined in the Trust Agreement), and will be held in trust as collateral for the Certificates until the Conversion Date, all as specifically set forth in the Trust Agreement.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale and delivery of the Certificates are projected to be applied as summarized in the following table:

Table 1
CITY OF PACIFICA
(2008 CONVERSION OF 2006 AUCTION RATE CERTIFICATES)

ESTIMATED SOURCES AND USES OF PROCEEDS	
SOURCES	
<i>Sources of Funds:</i>	
Principal Amount of Certificates	\$19,815,000.00
Less: Original Issue Discount	<u>(298,299.05)</u>
Total Sources of Funds	<u>\$19,516,700.95</u>
USES	
<i>Uses of Funds:</i>	
Construction Fund	\$1,500,000.00
Capitalized Interest	401,279.34
Escrow Fund	15,882,250.00
Swap Termination Payment	1,106,844.00
Costs of Issuance ⁽¹⁾	<u>626,327.61</u>
Total Uses of Funds	<u>\$19,516,700.95</u>

⁽¹⁾ Includes fees and expenses of Special Counsel, Disclosure Counsel and Trustee, Underwriter's Discount, Certificate Insurance Policy premium, rating agency fees, printing costs of the Redefining Memorandum, contingency, and certain other miscellaneous expenses.



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- \$1.5 million from the Certificates of Participation to replace the funding from Fund 30 Excess ERAF allocated for the Palmetto Streetscape project;
- \$375,000 from Fund 30 Excess ERAF to cover anticipated 15% construction inflation for the Palmetto Streetscape project; and
- Assign the remaining balance in Fund 30 Excess ERAF to serve as a source of matching funds for emergency response grants or for other infrastructure repairs.



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Questions?