

REPORT TO THE CITY COUNCIL



DATE: February 21, 2017

TITLE: *(City of Desert Hot Springs Financing Corporation)*
Resolution Approving Documents and Actions Relating to the Refinancing of 2004 Certificates of Participation and Funding Additional Capital Improvements

Prepared by: Joseph M. Tanner Jr., Administrative Services Director

RECOMMENDATION

Adopt the Resolution of the City of Desert Hot Springs Financing Corporation approving documents and actions relating to the Refinancing of 2004 Certificates of Participation and Financing Additional Capital Improvements.

BACKGROUND

At the City Council meeting on February 7, 2017, staff and Council discussed several viable refunding candidates that, based on current market conditions, provide interest savings to the City. The refunding candidates, originally issued in 2004, included the City of Desert Hot Springs Certificates of Participation (the "2004 COPs"). The 2004 COPs represented a lease/leaseback financing, which required lease agreements between the City and the Desert Hot Springs Financing Corporation.

Actions are on the February 21, 2017 agenda to provide for the issuance of 2017 Lease Revenue Bonds to refinance the 2004 COPs. In connection with the refinancing the 2004 lease agreements executed by the Corporation need to be terminated so as to release the lien of the lease from the chain of title.

With direction provided at the last Council meeting, staff now asks Board of the Corporation to approve termination of the lease encumbrances related to the 2004 COPs and to approve any other documentation of the Corporation needed to accomplish the refinancing of the 2004 COPs and issuance of the 2017 Lease Revenue Bonds.

STAFF RECCOMENDATION

Staff recommends that Council take the following actions:

1. Adopt a Resolution of the Desert Hot Springs Financing Corporation approving documents and actions relating to the Refinancing of 2004 Certificates of Participation and Financing Additional Capital Improvements

DISCUSSION

Under the 2004 COPs financing, the City leased certain City-owned assets to the Corporation for a nominal amount and the Corporation then leased those assets back to the City for a fixed annual rental payment (rental payments). These rental payments were pledged by the Corporation toward repayment of annual COP payments. These leases need to be terminated in order to accomplish the refinancing.

FISCAL IMPACT

There is no fiscal impact to the Corporation, it served as a facilitator to the lease financing and incurs no expenses in connection with the termination. The Corporation will not be a party to the 2017 leases.

EXHIBIT(S)

- 1) Resolution of the City of Desert Hot Springs Financing Corporation Approving Documents and Actions Relating to the Refinancing of the 2004 Certificates of Participation and Financing Additional Capital Improvements
- 2) Termination Agreement