



# TOWN OF APPLE VALLEY PUBLIC FINANCING AUTHORITY BOARD STAFF REPORT

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**To:** Honorable Chairman and Board of Directors      **Date:** July 11, 2017  
**From:** Marc Puckett      **Item No:** 1  
Assistant Town Manager  
**Subject:** RESOLUTION APPROVING THE REFUNDING OF THE APPLE VALLEY  
PUBLIC FINANCE AUTHORITY LEASE REVENUE BONDS (TOWN HALL  
ANNEX PROJECT) 2007 SERIES A AND FINANCING THE COST OF  
ACQUIRING CERTAIN VEHICLES AND AUTHORIZING AND DIRECTING  
CERTAIN ACTIONS WITH RESPECT THERETO

**T.M. Approval:** \_\_\_\_\_      **Budgeted Item:**  Yes  No  N/A

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## RECOMMENDED ACTION:

That the Public Financing Authority adopt Resolution Number AVPFA 2017-01 of the Apple Valley Public Finance Authority approving the refunding of the Apple Valley Public Finance Authority Lease Revenue Bonds (Authority Hall Annex Project) 2007 Series A and authorizing and directing certain actions with respect thereto.

## SUMMARY:

The Town and Public Finance Authority issued Series A Lease Revenue Bonds in the amount of \$11,355,000 in 2007. These bonds were issued for the construction of the Town Hall Annex commonly referred to as the Development Services building. Refunding of these bonds at an interest rate of 2.90% will allow the Town to save approximately \$650,000 in present value savings due to prevailing interest rates in the municipal bond market. These savings will allow the Town to reduce the debt service payments on the refunded debt outstanding and finance the acquisition of certain vehicles with such savings.

## BACKGROUND:

The prior bonds were originally issued in the amount of \$11,355,000. Proceeds of the prior bonds were used to assist the Town in financing certain capital improvement projects including the construction of the Development Services building (the prior project). Due to prevailing interest rates and for other reasons, it is desirable to prepay the prior bonds at this time and cause the

redemption of the prior bonds and to finance the acquisition of vehicles and to implement a lease financing for such purposes.

To facilitate these actions the Town will enter into a lease agreement, site and facility lease, termination agreement and a letter agreement for purchase and rate lock as further defined within the resolution and attachments to the staff report. The principal components of such lease payments under the lease agreement shall not exceed a maximum of \$8,600,000. The annual interest rate under the lease agreement will not exceed 2.90% over the remaining term and the final maturity of the lease agreement will not extend beyond September 1, 2027, the original final maturity on the prior bonds. The Town is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code").

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the town of Apple Valley must conduct a public hearing providing the members of the community an opportunity to speak in favor of or against the refunding of the referenced tax-exempt bonds. Prior to such hearing, reasonable notice was provided to the members of the community.

**FISCAL IMPACT:**

Refunding of the 2007 Series A Lease Revenue Bonds will allow the Town to achieve present value savings of approximately \$650,000 due to prevailing interest rates. The proceeds from the refunding bonds and these savings will be used to reduce the debt service payments on the refunded debt and finance the acquisition of certain vehicles. The Town can issue the refunding bonds at 2.9%. The final maturity of the prior bonds will not be extended by this refunding.

**CONCLUSION:**

In light of the foregoing, staff recommends approval of the recommended actions, adoption of the resolutions of the Town and PFA, refunding of the prior bonds, and issuance of refunding bonds as described herein.

Attachments: 1) Resolution Number 2017-1 of the Apple Valley Public Finance Authority  
2) Termination Agreement

**ATTACHMENT 1**

**APPLE VALLEY PUBLIC FINANCING AUTHORITY**

**RESOLUTION NO. 2017-1**

**RESOLUTION APPROVING THE REFUNDING OF THE APPLE VALLEY PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS (AUTHORITY HALL ANNEX PROJECT) 2007 SERIES A AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO**

RESOLVED, by the Board of Commissioners (the "Commissioners") of the Apple Valley Public Financing Authority (the "Authority"), as follows:

WHEREAS, the Authority has heretofore issued \$11,355,000 of the Authority's Lease Revenue Bonds (Authority Hall Annex Project) 2007 Series A (the "Prior Bonds"), pursuant to the terms of an Indenture, dated as of July 1, 2007 (the "Prior Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Prior Trustee");

WHEREAS, the Prior Bonds are currently outstanding in the principal amount of \$7,465,000;

WHEREAS, the proceeds of the Prior Bonds were used by the Authority to (i) assist the Town of Apple Valley (the "Town") in financing certain capital projects, including the construction of an annex to the Town Hall (the "Prior Project"), (ii) purchase a debt service reserve surety bond for deposit in the reserve account for the Prior Bonds, and (iii) pay the costs of issuance of the Prior Bonds;

WHEREAS, the principal of and interest on the Prior Bonds is payable from certain revenues consisting primarily of certain rental payments ("Prior Base Rental Payments") made by the Town to the Authority pursuant to a Lease Agreement, dated as of July 1, 2007 (the "Prior Lease"), by and between the Authority and the Town as consideration for the Authority subleasing the Prior Project to the Town;

WHEREAS, the Town has determined at this time, due to prevailing interest rates in the municipal bond market and for other reasons, to prepay the Prior Base Rental Payments under the Prior Lease and to cause the redemption of the Prior Bonds;

WHEREAS, concurrently with the prepayment by the Town of the Prior Base Rental Payments, the Authority is required to redeem the Prior Bonds pursuant to the Prior Indenture; and

WHEREAS, the document below specified has been filed with the Authority and the commissioners of the Authority, with the aid of its staff, have reviewed said document;

NOW, THEREFORE, it is hereby DECLARED and ORDERED, as follows:

*Section 1.* The Commissioners hereby approve the redemption of the Prior Bonds.

*Section 2.* A termination agreement, by and among the Town, the Authority and Prior Trustee, relating to the termination of recorded documents with respect to the Prior Bonds, in the form on file with the Secretary of the Authority, be and is hereby approved, and the Chair, the Vice Chair or the Executive Director, or the designee thereof, are hereby authorized and directed to execute said document, with such changes, insertions and omissions as may be approved by such official;

*Section 3.* The Chair, the Vice Chair, the Executive Director and the Secretary and all other appropriate officials of the Authority are hereby authorized and directed to execute such other agreements, documents and certificates as may be necessary to effect the purposes of this resolution and the financing herein authorized.

*Section 4.* This Resolution shall take effect upon its adoption by the Board.

PASSED APPROVED AND ADOPTED THIS 11<sup>TH</sup> DAY OF JULY 2017.

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Chair

ATTEST:

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Secretary

**ATTACHMENT 2**

RECORDING REQUESTED AND  
WHEN RECORDED MAIL TO:

Sam S. Balisy, Esq.  
Kutak Rock LLP  
Suite 4550  
777 South Figueroa Street  
Los Angeles, CA 90017.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER  
TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND  
TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES  
PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

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**TERMINATION AGREEMENT**

by and among

**TOWN OF APPLE VALLEY,**

**APPLE VALLEY PUBLIC FINANCING AUTHORITY,**

and

**U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee and as Assignee

Relating to the

\$11,355,000

Apple Valley Public Financing Authority  
Lease Revenue Bonds (Town Hall Annex Project) 2007 Series A

Dated as of July 1, 2017

## TERMINATION AGREEMENT

**THIS TERMINATION AGREEMENT** is dated as of July 1, 2017, and is by and among the **TOWN OF APPLE VALLEY**, (the “Town”), and **U.S. BANK NATIONAL ASSOCIATION**, as trustee (the “2007 Trustee”), and the **APPLE VALLEY PUBLIC FINANCING AUTHORITY** (the “Authority”).

### WITNESSETH:

WHEREAS, the Town and the Authority have heretofore entered into a Lease Agreement, dated as of July 1, 2007 (the “2007 Site and Facility Lease”), and the Lease Agreement, dated as of July 1, 2007 (the “2007 Lease Agreement”), pursuant to which the Authority and the Town entered into a transaction for the lease financing of certain facilities, including the site thereof (the “2007 Property”), and the Town agreed to make certain lease payments (the “2007 Lease Payments”) to the Authority; and

WHEREAS, the 2007 Lease Agreement provides that in the event that the Town deposits, or causes the deposit on its behalf of moneys for the prepayment of the 2007 Lease Payments, then all of the obligations of the Town under the 2007 Lease Agreement and all of the security provided by the Town for such obligations, excepting only the obligation of the Town to make the 2007 Lease Payments from said deposit, shall cease and terminate, and unencumbered title to the Property shall be vested in the Town without further action by the Town or the Authority; and

WHEREAS, pursuant to an Assignment Agreement, dated as of July 1, 2007 (the “2007 Assignment Agreement”), by and between the Authority and the 2007 Trustee, the Authority assigned to the 2007 Trustee, among other things, its rights to receive 2007 Lease Payments from the Town under the 2007 Lease Agreement and the right to exercise such rights and remedies conferred on the Authority under the 2007 Lease Agreement to enforce payment of the 2007 Lease Payments; and

WHEREAS, pursuant to an Indenture, dated as of July 1, 2007, between the Authority and the 2007 Trustee, the Authority issued \$11,355,000 aggregate principal amount of Apple Valley Public Financing Authority Lease Revenue Bonds (Town Hall Annex Project) 2007 Series A (the “2007 Bonds”); and

WHEREAS, the Town has determined that, as a result of favorable financial market conditions and for other reasons, it is in the best interests of the Town at this time to refinance the Town’s obligation to make the 2007 Lease Payments under the 2007 Lease Agreement and, as a result thereof, to provide for the early redemption of the 2007 Bonds and, to that end, the Town proposes to lease certain real property and the improvements thereon (the “2017 Property”) to Public Property Financing Corporation of California (the “Corporation”) and to lease back the 2017 Property from the Corporation pursuant to that certain Lease Agreement, dated as of July 1, 2017 (the “2017 Lease Agreement”), a memorandum of which has been recorded concurrently herewith; and

WHEREAS, to obtain moneys to make such deposit, the Corporation proposes to assign and transfer certain of its rights under the 2017 Lease Agreement to [Bank] (the "Assignee"), pursuant to that certain Assignment Agreement, dated as of July 1, 2017, by and between the Corporation and the Assignee, and recorded concurrently herewith (the "2017 Assignment Agreement"), whereby the Assignee is to make a payment of \$8,600,000 to or to the order of the Town; and

WHEREAS, upon deposit of a portion of such amounts for prepayment of the 2007 Lease Payments, the 2007 Lease Agreement and the agreements related thereto need not be maintained except as otherwise provided below), and the parties hereto now desire to provide for the termination of such documents as provided herein.

NOW, THEREFORE, in consideration of the foregoing and for other consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree:

**Section 1. Termination.**

(a) By virtue of the deposit of amounts for prepayment of the 2007 Lease Payments, all obligations of the Town under the 2007 Lease Agreement shall cease and terminate, excepting only the obligation of the Town to make, or cause to be made, all payments from such deposit and title to the 2007 Property shall vest in the Town on the date of said deposit automatically and without further action by the Town or the Authority. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the prepayment of the 2007 Lease Payments.

(b) In accordance with the foregoing, the following agreements are hereby terminated and are of no further force or effect:

(i) 2007 Site and Facility Lease, recorded on July \_\_, 2007, as Document No. \_\_\_\_\_, Official Records of San Bernardino County;

(ii) 2007 Lease Agreement, recorded by memorandum on July \_\_, 2007, as Document No. \_\_\_\_\_, Official Records of San Bernardino County; and

(iii) 2007 Assignment Agreement, recorded on July \_\_, 2007, as Document No. \_\_\_\_\_, Official Records of San Bernardino County.

(c) From and after the date hereof, none of the parties shall have any further rights or obligations thereunder.

**Section 2. Execution in Counterparts.** This Termination Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Termination Agreement.

TOWN OF APPLE VALLEY

By \_

\_\_\_\_\_  
Frank Robinson, Town Manager

Attest:

By \_

\_\_\_\_\_  
,Town Clerk

APPLE VALLEY PUBLIC FINANCING  
AUTHORITY

By \_

\_\_\_\_\_  
Frank Robinson, Executive Director

Attest:

By \_

\_\_\_\_\_  
Secretary

U.S. BANK NATIONAL ASSOCIATION, as  
2007 Trustee and as Assignee

By \_

\_\_\_\_\_  
Vice President



**EXHIBIT A**

**DESCRIPTION OF THE SITE**

All that certain real property situated in the Town of Apple Valley, San Bernardino County, State of California, described as follows: