FORT ORD REUSE AUTHORITY

SPECIAL MEETING
FORT ORD REUSE AUTHORITY (FORA) BOARD OF DIRECTORS

Thursday, August 15, 2019 at 1:00 p.m. | 910 2nd Avenue, Marina, CA 93933 (Carpenters Union Hall)

AGENDA

ALL ARE ENCOURAGED TO SUBMIT QUESTIONS/CONCERNS BY NOON AUGUST 14, 2019.

1. CALL TO ORDER
Participating via Teleconference, Mary Adams, 12 Pomo Trail, Graeagle, CA 96103

2. PLEDGE OF ALLEGIANCE *(If able, please stand)*

3. CLOSED SESSION

a. Conference with Legal Counsel – Gov. Code §54956.9(a), (d)(1): Marina Community Partners, LLC v. Fort Ord Reuse Authority, Monterey County Superior Court Case No.: 18CV000871, Pending Litigation.

4. ANNOUNCEMENT OF ACTION TAKEN IN CLOSED SESSION

5. ACKNOWLEDGEMENTS, ANNOUNCEMENTS, AND CORRESPONDENCE

6. ROLL CALL

FORA is governed by 13 voting members: (a) 1 member appointed by the City of Carmel; (b) 1 member appointed by the City of Del Rey Oaks; (c) 2 members appointed by the City of Marina; (d) 1 member appointed by Sand City; (e) 1 member appointed by the City of Monterey; (f) 1 member appointed by the City of Pacific Grove; (g) 1 member appointed by the City of Salinas; (h) 2 members appointed by the City of Seaside; and (i) 3 members appointed by Monterey County. The Board also includes 12 ex-officio non-voting members.

7. CONSENT AGENDA **INFORMATION/ACTION**

CONSENT AGENDA consists of routine information or action items accompanied by staff recommendation. Information has been provided to the FORA Board on all Consent Agenda matters. The Consent Agenda items are normally approved by one motion unless a Board member or the public requests discussion or a separate vote. Prior to a motion, any member of the public or the Board may ask a question or makes comment about an agenda item and staff will provide a response. If discussion is requested, that item will be removed from the Consent Agenda and be considered separately at the end of the Consent Agenda.

8. BUSINESS ITEMS **INFORMATION/ACTION**

*BUSINESS ITEMS are for Board discussion, debate, direction to staff, and/or action. Comments from the public are **not to exceed 3 minutes** or as otherwise determined by the Chair.*

a. Building Removal Financing Recommendation – **2nd Vote**
Recommendation:
Authorize the Executive Officer ("EO") to approve the necessary preparatory work to prepare a bond package for the issuance of building removal bonds which includes:

i. Approve NHA Advisors ("NHA") to implement the draft schedule (**Attachment A**);
ii. Approve Economic Planning Systems ("EPS") to perform a Fiscal Consultant Report ("FCR") not-to-exceed $40,000;
iii. Retain NHA and Stradling, Yocca, Carlson and Rauth as Municipal Advisor and Bond Counsel not to exceed $200,000;
iv. Work with County and jurisdictions on post-FORA administration for any bond issuance;
v. Secure jurisdictional support for bond issuance and proposed schedule; and

Work with the Monterey County Regional Fire District on revenue loss related issues

b. Signatory Authorization
Recommendation: Authorize Josh Metz as second official Fort Ord Reuse Authority ("FORA") signatory in Executive Officer's ("EO") absence.

c. Amend Resolution 19-12 FORA Retention and Separation Resolution
Recommendation: Consider and Amend Resolution 19-12 (Attachment A) setting the Retention and Separation Package for Fiscal Year (FY) 2019-20 Resolution 19-XX (Attachment B) to allow all employees eligibility for the Fiscal Year (FY) 2019-20 Retention and Separation Package.

9. PUBLIC COMMENT PERIOD — INFORMATION

*Members of the public wishing to address the Board on matters within its jurisdiction, but **not on this agenda**, may do so for up to 3 minutes or as otherwise determined by the Chair and will not receive Board action. Whenever possible, written correspondence should be submitted to the Board in advance of the meeting, to provide adequate time for its consideration.*

10. ITEMS FROM MEMBERS — INFORMATION

Receive communication from Board members as it pertains to future agenda items.

11. ADJOURNMENT

NEXT REGULAR MEETING: September 13, 2019 AT 2:00 P.M.

FORT ORD REUSE AUTHORITY BOARD REPORT

BUSINESS ITEM		
Subject:	Building Removal Financing Recommendation – 2^{nd} **Vote**	
Meeting Date: **Agenda Number:**	August 15, 2019 8a	**ACTION**

RECOMMENDATION:

Authorize the Executive Officer ("EO") to approve the necessary preparatory work to prepare a bond package for the issuance of building removal bonds which includes:

i. Approve NHA Advisors ("NHA") to implement the draft schedule (**Attachment A**);
ii. Approve Economic Planning Systems ("EPS") to perform a Fiscal Consultant Report ("FCR") not-to-exceed $40,000
iii. Retain NHA and Stradling, Yocca, Carlson and Rauth as Municipal Advisor and Bond Counsel not to exceed $200,000
iv. Work with County and jurisdictions on post-FORA administration for any bond issuance;
v. Secure jurisdictional support for bond issuance and proposed schedule; and
vi. Work with the Monterey County Regional Fire District on revenue loss related issues.

BACKGROUND/DISCUSSION:

At the October 2018 meeting, the Fort Ord Reuse Authority ("FORA") Board directed staff to investigate the legality and feasibility of issuing debt against FORA's statutory share of property tax revenue provided to FORA by the State Legislature as codified in the State of California Health and Safety Code. This code section gives FORA authority to encumber the revenue stream necessary to issue bonds. Without bonding, a significant portion of property tax revenue currently focused on base reuse activities will default back to other agencies following FORA dissolution, and will therefore be unavailable for focused base reuse activities, including building removal. The Board has until June 30, 2020 to complete the bonding process, if it so chooses.

Bond Feasibility

In January 2019, FORA released a competitive Request for Qualifications and selected NHA Advisors ("NHA") to complete the bond feasibility and financial analysis. NHA completed its first milestone in June 2019, providing a legal and financial feasibility memorandum regarding FORA's statutory property tax authority (**Attachment B**). NHA found that FORA is able to issue up to $37M in bonds under the Marks-Roos Act.

Bond Benefits: Quantitative Analysis

NHA also completed a jurisdiction-based quantitative benefit analysis (**Attachment C**). NHA coordinated closely with the Monterey County Auditor/Controller to review the tax allocation methodology in the analysis. Through the review, NHA discovered silent stakeholders impacted by future building removal, primarily the Monterey Peninsula Unified School District ("MPUSD") and Monterey County Regional Fire District ("MCRFD"). The City of Monterey was not included in this analysis because they did not form a Re-Development Agency ("RDA") over their lands.

NHA identified benefits in terms of present value ("PV") as the best way to compare 'apples to apples.' The revenue benefits over a 30-year horizon are a 'cash flow' benefit while bond proceeds are a 'one-time' benefit. By using PV, it is possible to compare the combined benefit to each stakeholder. NHA then identified a best and worst case with a 'low build-out scenario' which assumes no building removal, and a 'high build-out scenario' made possible by building removal. Finally, NHA identified a bond proceeds allocation based on the amount of building removal in each jurisdiction up to the estimated $37 million in available proceeds. The Building removal allocation assumes a 30% contingency to cover administrative and unforeseen costs.

FORA has successfully removed $50M of blight to date and reused 60% of the former military buildings; staff estimates $50-$60M of blight remains on the former Fort Ord. Not all of the buildings will be removed with bond proceeds, and the jurisdictions must decide how to prioritize the bond allocations. A comparison of Scenario 2 (no building removal) and Scenario 3 (building removal) highlights bond issuance benefits (**Attachment C**).

Stakeholders would gain from added tax revenue associated with increased values resulting from building removal with each one seeing increased tax revenues over 30 years. An unexpected benefit of FORA issuing a bond and completing building removal is that MPUSD would potentially gain $26M in additional revenues. Marina would have a projected total gain of $19M, Seaside would gain $9.5M, County would gain $2M and MST, TAMC, MCWD, and State Parks would gain $5.8M, and Monterey Peninsula College ("MPC") would gain $2.9M. The MCRFD would have a projected de minimis loss of about $30K a year; however, the public safety, hazardous materials, and fire hazard of the wood buildings and bunkers near the East Garrison Community, which MCRFD serves, would be removed.

Lastly, the bond would use roughly 60% of the existing tax increment being collected today. This would leave 30% available to FORA if extended by California Senate Bill 189, or will default back to the agencies through the standard cascade if not extended. The NHA analysis (**Attachment C**) specifies this cascade and the excel file is available for review at: https://fora.org/Board/2019/Packet/Additional/080919_Item_8b_AttachC.xlsx

Administrative Committee Recommendation

At the July 3 and 17, 2019, Administrative Committee ("AC") the committee considered the legal memorandum, and quantitative analysis. On motion by Committee member Mailin second by Committee member Long, and carried by the following vote, given consideration to the motion that was adopted at the last Administrative Committee meeting on 7/17/2019 (the Administrative Committee moved to make a recommendation to the FORA Board of Directors to authorize all necessary preparatory work to issue bonds for building removal with one abstention from Committee Member Beretti. The Administrative Committee recommended the Board approve: 1) moving forward with the draft schedule presented by NHA Advisors; 2) getting the fiscal consultant's report from EPS; 3) working with the County and jurisdictions on post-FORA administration for any bond issuance; 4) securing the jurisdictional support for the bond issuance proposed schedule; and 5) working with the Regional Fire District on revenue loss related issues.

The preparatory work includes three elements described below: 1) a Fiscal Consultant Report ("FCR") to assess FORA's credit, 2) a Bond Indenture ("BI") to determine how the funds are allocated to the jurisdictions, the terms reflecting how bond proceeds will be spent, and what is required for the fiscal agent or trustee to release the funds, and 3) Official Statements identifying the legal exposure to potential investors.

Element 1: Fiscal Consultant Report

The FCR is a financial feasibility report necessary to obtain the highest possible credit rating on the proposed FORA bond issue. It is an in-depth analysis of each of the four former redevelopment project areas within the FORA jurisdiction. For the first element, the Board authorized a contract in February 2019 whereby EPS will perform additional work pertaining to the transition planning, including work for the building deconstruction program. The scope of the contract states that Task 2 *"..will be informed by ongoing discussions between FORA and its member jurisdictions, it is anticipated that related work will entail evaluating the allocation of FORA obligations relative to revenue generation by individual jurisdictions, understanding implications of various proposed terms with regard to development prospects and financial feasibility, and other related infrastructure and habitat conservation financing dynamics associated with transition planning."* Based on the Board approved scope of the EPS contract Amendment #11, there is no need to obtain an additional consultant for a transition planning/building deconstruction FCR and the work can begin immediately. As part of the necessary preparatory work the EPS Amendment #11 contract amount will be increased to complete a FCR and additional analysis to support the bond issuance and the associated transition plan implementation agreements. Please refer to Item 8c in this month's Board report concerning contract adjustments.

Element 2: Bond Indenture

FORA will need to retain a qualified bond counsel firm to prepare the legal documents required for the proposed bond issue. NHA has been working with Stradling, Yocca, Carlson and Rauth (SYCR), one of the leading such firms in California, under the current NHA contract with FORA. SYCR and NHA are prepared to start drafting these legal documents nowin order to enable FORA to issue the bonds as soon as possible. Current bond market conditions are optimal for maximizing the net bond proceeds available for building remediation. The BI sets the terms of the bond and requires the AC address five components: 1) identification of the portions of the project areas that will be tax exempt, 2) the process for allocation of bond proceeds, 3) procedures for amending the indenture in case of over/under runs and unexpected events, and 4) procedures for invoicing. The County of Monterey Auditor Controller and Risk Management staff identified the need to establish clear payment terms given the number of stakeholders. This will require NHA, in coordination with Authority Counsel, to work out the BI terms with the AC. Based on the Board approved scope of NHA's contract, there is no need to obtain an additional consultant and the work can begin immediately.

Element 2a: Bond Administration Agreement. Since FORA will cease to exist no later than June 30, 2022, provisions must be made for how the bond issue will be administered after FORA's termination. Key issues in this regard are: 1) which public entity or bond trustee holds the bond proceeds and pays remediation contractor invoices, 2) documentation required for invoice payment 3) process for amending the allocation of bond proceeds by jurisdiction, if so desired, and 4) responsibility for meeting continuing disclosure and arbitrage rebate requirements for the full term of the bonds.

Element 3: Official Statement

The Official Statements identify the legal exposure to investors. It is informed by the FCR, credit review package, and the BI. This work and the remaining closeout documents are included in the NHA scope and contract cost.

Next Steps

If approved, NHA will work with the AC, Authority Counsel, EPS, and FORA staff to prepare the bond package. NHA anticipates the bond package to be ready in mid-September. The Marks-Roos Act requires that the County of Monterey Board of Supervisors hold a public hearing acknowledging FORA will spend bond proceeds within its jurisdiction before FORA can actually issue the bonds. NHA anticipates the FORA Board will consider and approve the basic legal documents for the bond issue at its regular September meeting, and the official statement at its regular October meeting.

Recommendation

Given NHA's analysis showing the benefit to the region, and a unanimous endorsement by the AC, staff recommends the following:

Authorize the EO to approve the necessary preparatory work to prepare a bond package for the issuance of building removal bonds which includes:

vii. Approve NHA Advisors to implement the draft schedule (**Attachment C**);
viii. Approve EPS to perform a FCR not to exceed $40,000
ix. Retain NHA and SYCR as Municipal Advisor and Bond Counsel not to exceed $200,000
x. Work with the County and jurisdictions on post FORA administration for any bond issuance;
xi. Secure jurisdictional support for bond issuance and proposed schedule; and
xii. Work with the Monterey County Regional Fire District on revenue loss related issues.

<u>FISCAL IMPACT</u>:
Reviewed by FORA Controller ___ signing for Helen Rodriguez

Staff time to support the AC is included in the approved annual budget. Funds for EPS contract amendment are accounted for in the Board approved FY 2019/20 Budget for Financial Contractual Services (See Item 8c in this packet). NHA and SYCR will be compensated at the time of closing. Compensation will be contingent on completion of the financing and is expected to be paid from proceeds of a successful negotiated public offering (no budget impact to FORA).

<u>COORDINATION</u>:

County of Monterey, the County Fort Ord Committee, Cities of Seaside, Monterey, Del Rey Oaks, and Marina, Administrative Committee, Executive Committee, Economic Planning Systems, NHA Advisors, Monterey Peninsula College, Monterey County Regional Fire District, California State Parks, Marina Coast Water District, Transportation Agency of Monterey County, Monterey-Salinas Transit

Prepared by___________________ Reviewed by___________________
Peter Said Michael A. Houlemard, Jr.

Attachment B to Item 8a
FORA Special Meeting, 8/15/19

Fort Ord Reuse Authority
2019 Tax Revenue Bonds
(Building Removal Financing)

Financing Schedule
(As of July 30, 2019)

Issuer:	*Fort Ord Reuse Authority (FORA)*
Municipal Advisor:	*NHA Advisors (MA)*
Bond Counsel:	*Stradling Yocca Carlson & Rauth (BC)*
Disclosure Counsel:	*Stradling Yocca Carlson & Rauth (DC)*
Fiscal Consultant:	*Economic & Planning Systems (FC)*
Underwriter:	*TBD (UW)*

August 2019

Su	M	Tu	W	Th	F	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

September 2019

Su	M	Tu	W	Th	F	Sa
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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October 2019

Su	M	Tu	W	Th	F	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

November 2019

Su	M	Tu	W	Th	F	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Date	Activity	Participants
Monday, August 12	Release RFP for Underwriter	MA
Wednesday, August 21	Circulate First Drafts of Financing Documents (Base Legal Documents and Resolution)	BC
Wednesday, August 28	Comments Due on First Drafts of Financing Documents	ALL
Friday, August 30	Underwriter Proposals Due	MA
Monday, September 2	Labor Day Holiday	ALL
Tuesday, September 3	Circulate Draft Staff Report (Approval of Undewriter and Financing Documents	MA
Tuesday, September 3	Circulate Second Drafts of Financing Documents	BC
Wednesday, September 4	Draft Fiscal Consultant's Report ("FCR") Released	FC
Thursday, September 5	Comments due on Draft Staff Reeport	ALL
Thursday, September 5	Comments Due on Second Drafts of Financing Documents	ALL
Friday, September 6	Agenda Deadline for September 13, 2019 FORA Board Meeting (Underwriter and Financing Documents)	ALL
Friday, September 13	FORA Board Approval of Underwriter, Legal Documents, Resolution	ALL

Date	Activity	Participants
Monday, September 16	Circulate First Draft Preliminary Official Statement ("POS")	DC
Thursday, September 19	Comments Due on First Draft of POS	ALL
Wednesday, September 25	Circulate Second Draft of POS	DC
Thursday, September 26	Credit Package Submitted to Rating Agency & Bond Insurers	MA
Friday, September 27	Circulate Draft Staff Report (Approval of POS)	MA
Tuesday, October 1	Comments Due on Second Draft of POS	ALL
Wednesday, October 2	Comments Due on Draft Staff Report	ALL
October 3-4	Credit Rating Presentation	ALL
Friday, October 4	Circulate Agenda Drafts of Financing Documents and POS	BC/DC
Friday, October 4	Agenda Deadline for October 11, 2019 FORA Board Meeting (Staff Report and POS)	ALL
Tuesday, October 8	Monterey County Board of Supervisors Public Hearing Acknowledging Benefit from Proposed FORA Bond Issue	ALL
Friday, October 11	FORA Board Approval of POS	ALL
Monday, October 14	Columbus Day Holiday	ALL
Monday, October 21	Rating Due	MA
Tuesday, October 22	Bond Insurance Bids Due; Bond Insurer Selected	FORA/MA
October 23-November 5	Due Diligence Call	ALL
Wednesday, October 23	Circulate Draft POS with Rating and Insurance Language	DC
Monday, November 4	Final Comments due on POS	ALL
Tuesday, November 5	Release POS to Underwriter	DC/MA
Monday, November 11	Veterans Day Holiday	ALL
Tuesday, November 12	Pre-pricing Call	FORA/UW/MA
Wednesday, November 13	Price Bonds	FORA/UW/MA
Thursday, November 14	Circulate Draft Final Official Statement (“FOS”)	DC
Friday, November 15	Circulate Draft Closing Documents	BC
Friday, November 15	Comments Due on Draft FOS	ALL
Monday, November 18	Comments Due on Closing Documents	ALL
Wednesday, November 20	Release FOS to Underwriter	DC/MA

Date	Activity	Participants
November 19-22	Execute Closing Documents	ALL
Monday, November 25	Pre-Closing; All Documents Signed	ALL
Tuesday, November 26	Closing	ALL

NHA | ADVISORS

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San Rafael, CA 94903

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Attachment B to Item 8a
FORA Special Meeting, 8/15/19

FEASIBILITY MEMORANDUM

July 3, 2019

To: Michael A. Houlemard, Jr., Executive Officer, Fort Ord Reuse Authority

From: Mark Northcross, Principal, NHA Advisors

RE: FORA - Feasibility Memorandum for Remediation Bond Issuance

LEGAL AUTHORITY FOR FORA BOND ISSUANCE

The law firm of Stradling Yocca Carlson & Rauth, retained as counsel to NHA Advisors has concluded that Fort Ord Reuse Authority ("FORA") has the authority to issue bonds with terms that extend beyond its June 30, 2020, dissolution, subject to the following conditions:

- ✓ Bonds must be issued under the authority of the Mark-Roos Act
- ✓ Tax increment revenues pledged to the bonds are subject to the limitation of the project areas from which the tax increment revenue originates

The Marks-Roos Act poses some special requirements on the issuance of FORA remediation bonds. For issuers that are not JPA's, such as FORA, the Marks-Roos Act can be interpreted as requiring the local agencies where bond proceeds will be spent to hold a noticed public hearing and make a finding that the proposed financing will create a "significant public benefit" within the meaning of Government Code Section 6586.

Table 1 below shows the time limits on the ability of the originating project areas for FORA's tax increment to use that tax increment to pay debt service. With the exception of the Marina Airport project area, we believe that tax increment from FORA project areas can be used to pay debt service through 2048.

Table 1: FORA Component Redevelopment Project Area Plan Limits

Project Area	Successor Agency	Year Project Area Formed	Final Year to Receive Tax Increment to Repay Debt
Marina Airport	City of Marina	1997	2045
Marina Project 3	City of Marina	1999	2048
Seaside Fort Ord	City of Seaside	2002	2048
Del Rey Oaks Fort Ord	City of Del Rey Oaks	2003	2048*
Fort Ord East Garrison	County of Monterey	2002	2048*

**We have not received Redevelopment Plans for these project areas to date, final year is estimated*

PLEDGED REVENUES FOR DEBT SERVICE

Table 2 details actual tax increment received by FORA from the five source project areas for FY 2018-19. FORA is expected to receive over $2.6 million in tax increment revenues, as provided for in its authorizing statute, in FY 2018-19. The Marina 3 project area, the Seaside Fort Ord project area, and the County of Monterey East Garrison project comprise nearly all of the tax increment revenue.

Table 2: Recognized Obligation Payment Schedule (ROPS)-Based Revenues for FORA (FYE 2018-19)

Project Area	Marina Airport	Marina Project 3	Seaside Fort Ord	Del Rey Oaks Fort Ord	Fort Ord East Garrison	Total
ROPS A	$14,437	$334,699	$347,983	$3,317	$226,640	**$927,076**
ROPS B	$21,707	$678,582	$520,457	$4,820	$475,337	**$1,700,903**
Total	$36,144	$1,013,281	$868,440	$8,137	$701,977	**$2,627,979**
Revenues as % of Total	1.38%	38.56%	33.05%	0.31%	26.71%	**100.00%**

CREDIT CONCERNS WITH FORA BOND ISSUE

The credit rating for a bond issue secured by tax increment is determined by three basic factors:

- Diversity and quality of tax base
- Coverage ratio given annual revenues and annual debt service
- Volatility, incremental assessed valuation as a per cent of total valuation.

FORA's credit quality is strongest in the volatility category, since assessed valuation was very small in each of the three main project areas at the time of project area formation. Coverage ratio is something that FORA itself can determine through how it sizes the proposed bond issue. The diversity and quality of the tax base then becomes the key credit concern for a FORA bond issue.

The biggest concern is concentration of taxpayers in a project area, indicating that a high percentage of the revenues to pay debt service come from a small number of taxpayers. Table 3 below shows concentration information available for two of the three main project areas. The Marina Project 3 project area has a very high concentration of taxpayers by standards of credit rating agencies, largely because of the great success of the "Dunes on Monterey Bay" shopping center in securing large retail anchors for the shopping center. Over 40% of tax increment revenue from this project area would be lost if the top three taxpayers simultaneously became delinquent in their property tax payments for a year or more. While this scenario is unlikely, it is the metric that bond investors use in evaluating credit. The concentration for the top 3 taxpayers in Seaside Fort Ord Project Area is below 15% and not a major concern. We believe that East Garrison project area should not be a credit concern since it is primarily single family residential.

Table 3: Concentration of Taxpayer Sensitivity for FORA

Project Area	FY for Most Recent Data	Incremental Assessed Valuation	Combined Assessed Valuation of Top 3 Taxpayers	Top 3 Taxpayers as % of Incremental Valuation
Marina Project 3	2017-18	322,398,824	130,213,459	40.4%
Seaside Fort Ord	2014-15	371,584,046	53,746,536	14.5%

Bond investors typically want to know how much money would be available to pay debt service in the event the largest taxpayers in a redevelopment project area all became delinquent. Table 4 below provides analysis of the total available tax increment revenues excluding revenue from the top three taxpayers in both the Marina Project 3 and Seaside Fort Ord project areas. If the top three taxpayers in both project areas became delinquent at the same time for one year or more, FORA tax increment revenues would decrease from about $2.6 million per year to about $2.1 million per year.

Table 4: Maximum Annual Debt Service Excluding Revenue from Top 3 Taxpayers for Marina Project 3 and Seaside Fort Ord Project Area

% Loss from Top 3 Marina Project 3 Taxpayers	40.4%
Net Marina Project 3 Tax Increment Revenues	$604,028
% Loss from Top 3 Seaside Fort Ord Taxpayers	14.5%
Net Seaside Fort Ord Tax Increment Revenues	$742,827
Tax Increment Revenues from Other Project Areas	$746,258
Total Adjusted Tax Increment Revenues	**2,093,113**

PROBABILITY OF TAXABLE INTEREST RATES

The intended use of the proceeds of any FORA bond issue is for removal of buildings within the FORA jurisdiction. While the bulk of such buildings are now located on land owned by public entities, it is very likely that after removal of the buildings, such land will be sold to private entities for development. Under Federal tax law, **any bonds issued for remediation of land that is subsequently sold to private entities must be sold with taxable interest rates.** The intent to ultimately sell the land to private entities is the key determining factor regarding tax categorization of the bonds. To the extent that bond proceeds are used for building removal on land intended for long term public use, such as a roadway or a park, that portion of the bond issue can be sold with tax exempt interest rates. At present, taxable interest rates are between 1% and 1.5% higher than tax exempt interest rates.

BONDING CAPACITY SCENARIOS

As noted above, FORA can control the coverage ratio for its bond issue through a legal covenant made at the time of bond issuance. Table 5 below shows maximum annual debt service ("MADS") for three different coverage ratios. The scenarios take into consideration the FY 2018-19 tax increment revenues as shown on Table 2 and an estimated $150,000 per year reduction on tax increment revenues as a result of the 2012 amendments to the Implementation Agreements. In addition, this analysis includes no explicit set aside of tax increment revenue for funding the continued FORA operations.

Table 5: Maximum Annual Debt Service Scenarios

FY 2018-19 Combined FORA Tax Increment	$2,627,979
Estimated Implementation Plan Amendments set-aside	$150,000
Net FY 2018-19 combined FORA Tax Increment	$2,477,979
MADS at 1.10x coverage	$2,252,708
MADS at 1.15x coverage	$2,154,764
MADS at 1.25x coverage	$1,982,383

Table 5 shows that, depending on the coverage ratio (calculated as net revenues available for debt service divided by debt service), MADs for a FORA bond issuance ranges from $1.98 million up to $2.25 million per year. Fiscal Year 2019-20 estimates a combined FORA tax increment of approximately $3 million, which was used in the Most Optimistic scenario discussed below.

With respect to the credit concern about taxpayer concentration, the coverage ratio is the most effective way of mitigating this risk. A higher the coverage ratio places lower limits on debt service to account for the concentration risk. As can be seen, use of a 1.25x coverage ratio results in MADS of $1.98 million, which is lower than the $2.1 million per year figure that would result if the top three taxpayers in both Marina Project 3 and Seaside Fort Ord projects areas became delinquent.

As single-family residential development takes place in these two project areas, taxpayer concentration will decline. In addition, a baseline 2% annual growth in assessed valuation will increase the amount of potential tax increment revenues that are "immune" to a loss of major taxpayers. **Consequently, we believe that the 1.15x coverage ratio, resulting in maximum annual debt service of $2.15 million per year, is a reasonable assumption.** Should FORA issue bonds in FYE 2020, an optimal case scenario would be for the preliminary estimates for FY 2019-2020 to show that $2.15 million annual debt service figure is sustainable for a 1.15x coverage ratio.

Table 6 below shows bonding capacity for FORA under three different scenarios. As noted above, we believe that Scenario 2 is moderately conservative and a reasonable assumption at this point in our analysis. All three scenarios assume final maturity of the bonds in September 1, 2047 (FYE 2048). The September 1, 2047 final maturity date in all scenarios is a conservative assumption. In theory, a September 1, 2048 final maturity date could be used, but the 2047 date gives one more year to receive tax increment to address in shortfalls or delinquencies in prior years. The scenarios are summarized below:

1. ***Scenario 1 – Most Optimistic****:* Assumes a coverage ratio of 1.5x on assumed $3 million in tax increment in combined FORA tax increment for FY 2019-20, and an all-in interest rate of 3.60% assuming current market rates, with about 80% of the bond issue sold on a taxable basis, and 20% sold on a tax-exempt basis. Net bond proceeds available for project funding are $36.6 million. This scenario assumes an A-underlying rating, bond insurance, and a surety bond on the bonds.
2. ***Scenario 2 – Moderately Conservative:*** Assumes 1.15x coverage ratio and an interest rate of 5.0% assuming 100% of the bonds are sold on a taxable basis at conservative market rates. Net bond proceeds available for project funding total $29.5 million.
3. ***Scenario 3 – Conservative:*** Assumes 1.25x coverage ratio and an interest rate of 5.5%. All bonds are assumed to be sold on a taxable basis at an interest rate 0.5% over conservative market. Net bond proceeds available for project funding total $25.5 million.

Table 6: Bonding Capacity by Scenario

Scenario	Coverage Ratio	Estimated Interest Rate	Tax Status	Likely Rating	Net Bond Proceeds for Projects
1 – Current Market Conditions with Bond Insurance and a Surety Bond	1.5x	3.60%	80% Taxable and 20% Tax Exempt	A- (AA after Insurance)	**$36,607,000**
2 - Moderately Conservative	1.15x	5.00%	Fully Taxable (Current Market)	BBB	**$29,463,000**
3 - Conservative	1.25x	5.50%	Fully Taxable (Current Market + 0.5%)	BBB/A-	**$25,455,000**

All scenarios assume 9/1/2047 final principal payment

Table 7 below allocates bond proceeds based on each project area's share of the total FORA tax increment (TI) revenue. Under this assumption, Marina would receive between $10 and $12.5 million in net bond proceeds, Seaside would receive between $8.4 and $10.4 million in net proceeds, Monterey County would receive between $6.8 and $8.4 million in net proceeds, and Del Rey Oaks would receive less than $100,000 in all three scenarios.

Table 7: Allocation of Net Proceeds for Projects Based on Source of Tax Increment

Scenario	Marina Airport	Marina Project 3	Seaside Fort Ord	Del Rey Oaks Fort Ord	Fort Ord East Garrison	Total
1 - Most Optimistic	$503,475	$14,114,716	$12,097,122	$113,346	$9,778,339	**$36,607,000**
2 - Moderately Conservative	$405,220	$11,360,174	$9,736,321	$91,226	$7,870,058	**$29,463,000**
3 - Conservative	$350,096	$9,814,792	$8,411,841	$78,816	$6,799,455	**$25,455,000**

Based on our analysis, the proceeds in Table 7 above represents funding that would not be available to the cities of Marina, Seaside, Del Rey Oaks, and Monterey County if FORA dissolved without issuing bonds. After dissolution of redevelopment agencies, it is very uncommon that a successor agency has the ability to issue new debt. Based on our analysis, none of the successor agencies for FORA jurisdictions can issue debt secured by FORA's tax increment revenue stream. Upon dissolution, the FORA tax increment revenue stream becomes subject to residual allocation under the redevelopment dissolution statute. Consequently, funding from a potential FORA bond issue is very likely an irreplaceable opportunity.

SUMMARY OF KEY ASSUMPTIONS AND TAKE-AWAYS

In conclusion, **we believe that FORA has very significant bonding capacity, capacity that is lost to FORA member jurisdictions if the bonds are not issued prior to FORA dissolution**. The biggest constraint on the ability of FORA to issue bonds, however, is not the credit concerns outlined in this memo, but the current reliance of FORA on tax increment revenue to fund operations. Should FORA receive legislative authority to extend its sunset, it appears likely that an allocation of a portion of tax increment to fund operations would be necessary and will need to be included in future bonding scenarios.

Key Assumptions of Our Analysis	Conclusions, Takeaways, and Next Steps
Financing will Require Taxable Bond Issue	• Remediation/infrastructure on property for long-term public ownership can be financed with tax-exempt status, reducing borrowing costs
Rating Agencies Require Coverage Ratio that Mitigates Concentration Risk	• If concentration risk in Marina Project 3 Project Area decreases in FYE 2020 estimates, bonding capacity increases
Maximizes Revenue Capacity, Adjusting for Credit Concerns	• Future analysis needs to include explicit set aside for future operating revenue in the event of FORA extension
Proceeds Allocated Based on Project Areas' Portion of Total TI Revenue	• Marina, Seaside, and Monterey County get significant funding for projects that would not otherwise be available

NHA Advisors, LLC is registered as a Municipal Advisor with the SEC and Municipal Securities Rulemaking Board ("MSRB"). As such, NHA Advisors, LLC has a Fiduciary duty to the public agency and must provide both a Duty of Care and a Duty of Loyalty that entails the following.

Duty of Care

a) exercise due care in performing its municipal advisory activities;
b) possess the degree of knowledge and expertise needed to provide the public agency with informed advice;
c) make a reasonable inquiry as to the facts that are relevant to the public agency's determination as to whether to proceed with a course of action or that form the basis for any advice provided to the public agency; and
d) undertake a reasonable investigation to determine that NHA Advisors, LLC is not forming any recommendation on materially inaccurate or incomplete information; NHA Advisors, LLC must have a reasonable basis for:
    i. any advice provided to or on behalf of the public agency;
    ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the public agency, any other party involved in the municipal securities transaction or municipal financial product, or investors in the public agency securities; and
    iii. any information provided to the public agency or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

Duty of Loyalty

NHA Advisors, LLC must deal honestly and with the utmost good faith with the public agency and act in the public agency's best interests without regard to the financial or other interests of NHA Advisors, LLC. NHA Advisors, LLC will eliminate or provide full and fair disclosure (included herein) to Issuer about each material conflict of interest (as applicable). NHA Advisors, LLC will not engage in municipal advisory activities with the public agency as a municipal entity, if it cannot manage or mitigate its conflicts in a manner that will permit it to act in the public agency's best interests.

Development and Property Tax Revenue Projections
Summary of Scenarios for FORA Member Jurisdiction RDAs
Highest Present Value Scenario Highlighted in Red

7/25/2019

Bond Proceeds Allocation Assumptions (Based on Information Received from FORA)	*51.184%*	*25.951%*	*0.000%*	*6.884%*	*0.000%*	*15.980%*	*0.000%*	*0.000%*
Scenario 1: 2020 Dissolution with Bond Issue							**HSC 33482.78 Passthroughs**	
	Marina	**Seaside**	**Del Rey Oaks**	**Monterey County (General Fund)**	**Monterey County Regional Fire District***	**MST, MCWD & TAMC**	**MPUSD**	**MPC**
Net bond proceeds	18,737,217	9,500,000	-	2,520,000	-	5,850,000	-	-
PV of increased revenues received by General Fund, after debt service	5,435,147	4,126,379	1,605,594	23,590,894	31,050,931	-	124,536,313	13,448,868
Total Benefit	**24,172,364**	**13,626,379**	**1,605,594**	**26,110,894**	**31,050,931**	**5,850,000**	**124,536,313**	**13,448,868**

Scenario 2: 2020 Dissolution with No Bond Issue							**HSC 33482.78 Passthroughs**	
	Marina	**Seaside**	**Del Rey Oaks**	**Monterey County (General Fund)**	**Monterey County Regional Fire District***	**MST, MCWD & TAMC**	**MPUSD**	**MPC**
Net bond proceeds	-	-	-	-	-	-	-	-
PV of increased revenues received by General Fund	4,499,579	3,988,513	1,615,786	23,198,201	30,626,951	-	97,718,616	10,552,817
Total Benefit	**4,499,579**	**3,988,513**	**1,615,786**	**23,198,201**	**30,626,951**	**-**	**97,718,616**	**10,552,817**

Scenario 3: Extension Through 2022 with Bond Issue							**HSC 33482.78 Passthroughs**	
	Marina	**Seaside**	**Del Rey Oaks**	**Monterey County (General Fund)**	**Monterey County Regional Fire District***	**MST, MCWD & TAMC**	**MPUSD**	**MPC**
Net bond proceeds	18,737,217	9,500,000	-	2,520,000	-	5,850,000	-	-
PV of increased revenues received by General Fund, after debt service	5,206,398	3,969,919	1,562,178	22,673,686	29,748,369	-	124,536,313	13,448,868
Total Benefit	**23,943,615**	**13,469,919**	**1,562,178**	**25,193,686**	**29,748,369**	**5,850,000**	**124,536,313**	**13,448,868**

Scenario 4: Extension Through 2022 with No Bond Issue							**HSC 33482.78 Passthroughs**	
	Marina	**Seaside**	**Del Rey Oaks**	**Monterey County (General Fund)**	**Monterey County Regional Fire District***	**MST, MCWD & TAMC**	**MPUSD**	**MPC**
Net bond proceeds	-	-	-	-	-	-	-	-
PV of increased revenues received by General Fund, after debt service	4,169,707	3,713,077	1,571,163	21,753,913	28,574,422	-	97,718,616	10,552,817
Total Benefit	**4,169,707**	**3,713,077**	**1,571,163**	**21,753,913**	**28,574,422**	**-**	**97,718,616**	**10,552,817**

**Pursuant to an agreement with Montery County Regional Fire District whereby the County transfers 65.5% of property taxes received to the fire department.*

Difference between PV Figures for Scenarios 3 and 2	**19,444,036**	**9,481,406**	**(53,608)**	**1,995,485**	**(878,582)**	**5,850,000**	**26,817,697**	**2,896,051**

Assuming Extension through FYE 2022	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FYE 2022**
FORA Share of Allocation Available After Debt Service (available for budget) ***(Assuming blight removal, high development, bonds issued)***	2,833,271	1,653,758	2,384,021	3,473,359
FORA Share of Allocation Available for budget ***(Assuming low blight removal, low development, no bonds)***	2,833,271	3,663,055	4,332,027	4,872,212
Difference (reflects different development assumptions and bonds debt service)	**0**	**2,009,297**	**1,948,006**	**1,398,852**

Development and Property Tax Revenue Projections
Assumptions

I. Discount Rate 4.45% (Same Discount Rate as the EPS Study Uses)

II. Debt Service

Middle Debt Service Scenario (As presented in the Memo)
Allocation of Proceec Allocated based on Building Remediation Needed
Allocation of Debt Sv Allocation Option 1: Based on FY 2018-19 ROPS

III. Development Projections

For Marina and Seaside, we used EPS development projections for FYEs 2019 and 2020 and the City projections for FYEs 2021-2029
For Del Rey Oaks and Monterey County, we used EPS development Projections

IV. Treatment of Residual Allocation

Successor Agency Increment from dissolution is all subject to residual allocation
County increment from dissolution is not subject to residual allocation
Increased percentages to County do not go through a SA (so are not subject to residual allocation)
10% share from FORA to member jurisdictions is not subject to residual allocation and continues after FORA goes away
Other taxing entities does not go through an SA
Two scenarios for County residual allocation: 20% and 40%
We assumed Marina, Seaside, and Del Rey Oaks Resdiual Allocation shares at 20%

V. Enforceable Obligations

We assumed all Successor Agency enforceable obligations cash flow requirements are being 100% met by existing pre-dissolution cash flows

VI. Allocation of Revenues

Before Dissolution
County General Fund
FORA
Project Area Successor Agency
Other Taxing Entities

After Dissolution
County General Fund
Project Area Successor Agency
Other Taxing Entities

The delta from dissolution is only measured from each entity's share of Net FORA Allocation

VII. Because the City of Monterey did not form an RDA over their Fort Ord lands, they are excluded from this analysis

VIII. Revenues

FY 18-19 ROPS is starting point on revenue, not EPS
FYE 2020 onward utilizes development projections and 2% AV growth assumption to drive TI revenues

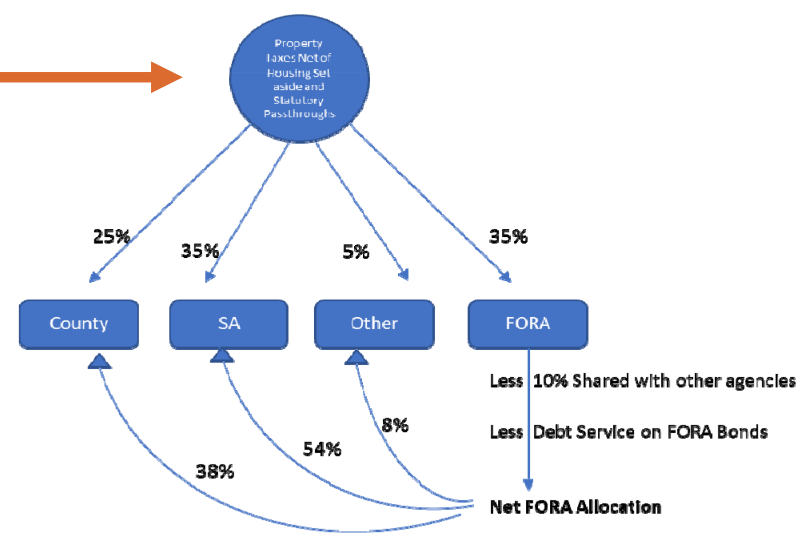
IX. Passthroughs

For Marina, Seaside, and County, educational passthroughs are calculated slightly differently than EPS study, but consistent wth practice by the County Auditor Controller.
For calculating educational passthroughs, we took the weighted average rates of multiple tax rate areas (TRAs). This average rate may result in immaterial differences from Monterey County Auditor-Controller's calculations.
For Marina, there are two project areas included in our analysis. To keep the analysis simple, we have blended the two project areas together, using the Marina project area #3 information as the key driver, given that its assessed value is
No changes to EPS analysis were made to the Del Rey Oaks analysis.

X. Tax Increment

2018-19 AV From Monterey County for Marina, Seaside, and County
2018-19 AV Calculated for Del Rey Oaks based on the FY 2019 ROPS

Cash Flow Assumption



Sources	
Bond Par	36,370,000
Premium	1,202,979.20
Total Sources of Funds	**37,572,979**

Uses	
Project Funds	36,607,217
Debt Service Reserve Fund / Surety	60,481
Underwriter's Discount (1.0%)	363,700
Bond Insurance	291,581
Costs of Issuance	250,000
Total Uses of Funds	**37,572,979**

Allocation Option 1: Based on FY 2018-19 ROPS

Redevelopment Project Area	% of Proceeds	$ Allocation
Marina (Airport and RDA 3)	39.930%	14,617,262
Seaside Fort Ord	33.045%	12,096,968
Del Rey Oaks Fort Ord	0.310%	113,344
Fort Ord East Garrison	26.711%	9,778,215
Totals	**100.00%**	**36,605,789**

Allocation Option 2: Based on FY 2019-20 Tax Increment Generated

Redevelopment Project Area	% of Proceeds	$ Allocation
Marina (Airport and RDA 3)	39.899%	14,606,090
Seaside Fort Ord	30.811%	11,279,182
Del Rey Oaks Fort Ord	0.368%	134,534
Fort Ord East Garrison	28.922%	10,587,412
Totals	**100.00%**	**36,607,217**

Bond Proceeds Allocation : Based on Amount of Building Removal

Redevelopment Project Area	% of Proceeds	$ Allocation
MST, MCWD, TAMC	15.980%	5,850,000
Marina (MST, MCWD, TAMC)	51.184%	18,737,216.82
Seaside Fort Ord	25.951%	9,500,000
Del Rey Oaks Fort Ord	0.000%	-
Monterey County	6.884%	2,520,000
Totals	**100.00%**	**36,607,217**

Note, this table relates to allocation of proceeds only, NOT allocation of debt service. Debt service, for bond security purposes, will be allocated based on property tax revenues generated in each area.

FORT ORD REUSE AUTHORITY BOARD REPORT

BUSINESS ITEM		
Subject:	Signatory Authorization	
Meeting Date: **Agenda Number:**	August 15, 2019 8b	**ACTION**

RECOMMENDATION:

Authorize Josh Metz as second official Fort Ord Reuse Authority ("FORA") signatory in Executive Officer's ("EO") absence.

BACKGROUND/DISCUSSION:

The FORA Assistant Executive Officer ("AEO") retired effective June 30, 2019. At the August 9, 2019 meeting, the FORA Board authorized the EO to ensure seamless operations during the transition process with strategic staff adjustments. Designation of a second official FORA signatory is required to replace this critical function previously performed by the AEO. The EO recommends Josh Metz, the FORA Planning and Economic Development Manager be empowered to perform that role in the Executive Officer's absence.

FISCAL IMPACT:

Reviewed by FORA Controller JL signing for Helen Rodriguez

COORDINATION:

Executive Officer, Controller

Prepared by ______ Reviewed by ______ for
Jen Simon Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY BOARD REPORT

BUSINESS ITEMS

Subject:	Amend Resolution 19-12 FORA Retention and Separation Resolution	
Meeting Date: **Agenda Number:**	August 15, 2019 8c	**INFORMATION/ACTION**

RECOMMENDATION(S):

Consider adopting Resolution 19-XX (Attachment A) and amending Resolution 19-12 (Attachment B) setting the Retention and Separation Package for Fiscal Year (FY) 2019-2020. Approval of the attached resolution would provide the Executive Officer the limited flexibility in administering the retention and separation benefits offered by Resolution 19-12 for the FY 2019-2020 Retention and Separation Package.

BACKGROUND/DISCUSSION:

The Fort Ord Reuse Authority (FORA) Board approved Resolution 19-12 recognizing the need for a retention and separation program to support adequate staffing during FY 2019-20. Upon review of recent and continual staffing changes, the "full-time employee" requirement for eligibility does not offer sufficient flexibility to support the retention goals. The total cost of the Retention and Separation Package will continue to be at its Board approved not-to-exceed $550,000.

FISCAL IMPACT:

Reviewed by FORA Controller signing for Helen Rodriguez

Staff time for this item is included in the approved annual budget.

COORDINATION:

Authority Counsel.

ATTACHMENTS:

Attachment A: Resolution Amendment
Attachment B: Adopted Resolution 19-12 Retention and Separation Package for FY 2019-20

Prepared by Jen Simon **Approved by** Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY
Resolution 19-XX

A RESOLUTION OF THE GOVERNING BODY OF THE FORT ORD REUSE AUTHORITY
Amending Resolution 19-12 Setting the Retention and Separation Package for FY 2019-2020

THIS RESOLUTION is adopted with reference to the following facts and circumstances:

A. Pursuant to Government Code section 67700(a), FORA will dissolve on June 30, 2020, at which time, any remaining staff will be laid off.

B. The Board approved Resolution 19-12 recognizing the need for a retention and separation program to support adequate staffing during FY 2019-2020.

C. The Board now recognizes that the retention and separation benefits offered by the Resolution 19-12 "full-time employee" requirement for eligibility does not offer sufficient flexibility to support the retention goals.

NOW THEREFORE the Board hereby resolves that:

1. The Board of Directors of Fort Ord Reuse Authority does hereby amends Resolution 19-12 to allow the Executive Officer limited flexibility in administering the retention and separation benefits offered by Resolution 19-12 for the FY 2019-2020 Retention and Separation Package.
2. The total cost of the Retention and Separation Package will continue to be at its Board approved not-to-exceed $550,000.

AYES:
NOES:
ABSTENTIONS:
ABSENT:

____
Jane Parker, Chair

ATTEST:

____
Michael A. Houlemard, Jr., Secretary

FORT ORD REUSE AUTHORITY
Resolution 19-12

A RESOLUTION OF THE GOVERNING BODY OF THE FORT ORD REUSE AUTHORITY
Adopting the Retention and Separation Package for FY 2019-2020

THIS RESOLUTION is adopted with reference to the following facts and circumstances:

A. Pursuant to Government Code section 67700(a), FORA will dissolve on June 30, 2020, at which time, any remaining staff will be laid off.

B. The Board recognizes the need for a retention and separation program to support adequate staffing during this FY.

C. The retention and separation benefits herein will be available to eligible employees. Eligible employees are defined as full-time employees who are employed by FORA as of July 1, 2019, excluding the Executive Officer, as the terms of employment and separation are specified in a negotiated employment contract.

D. Eligible employees remaining with FORA after July 1, 2019, will receive a stipend equivalent to five percent (5%) of base pay.

E. Eligible employees remaining with FORA after July 1, 2019, will receive a one thousand dollars ($1,000) per month bonus pay for each month after July 1, 2019 that the employee remains in employment with FORA. The bonus will be payable on a monthly basis, and pro-rated for partial months.

F. For employees laid off (not voluntarily resigning, retiring or terminated for cause) after July 1, 2019, FORA will provide up to twelve (12) months of monthly premium cost for the continuation of medical/dental/vision coverage. Premium cost provided will be for the coverage level (employee only, employee +1, employee + 2 or more) and plan in effect on July 1, 2019, and is conditioned upon execution of a mutually acceptable release of claims and terminates upon the employee securing replacement medical coverage.

G. Employees laid off (not voluntarily resigning, retiring or terminated for cause) after July 1, 2019, FORA will provide, conditioned upon execution of a mutually acceptable release of claims:

- Four (4) weeks of base salary for any employee with less than five (5) years of continuous FORA service, and additional one (1) week of base salary for each year of continuous service of five (5) or more years, up to a maximum of eight (8) weeks of base salary (pro-rated for less than a full year of service).

NOW THEREFORE the Board hereby resolves that:

1. The Board of Directors of Fort Ord Reuse Authority does hereby approve and adopt the FY 2019-2020 Retention and Separation Package.
2. The total cost of the Retention and Separation Package shall not exceed $550,000.

Upon motion by Carbone, seconded by Garfield, the foregoing Resolution was passed on this 14th day of June, 2019, by the following vote:

AYES: PARKER, LOPEZ, ADAMS, GAGLIOTI, O'CONNELL, MORTON, HAFFA, OGLESBY, PACHECO, CARBONE, GUNTER, GARFIELD, REIMERS.
NOES:
ABSTENTIONS:
ABSENT:

Jane Parker, Chair

ATTEST:

Michael A. Houlemard, Jr., Secretary