



375 Beale Street  
Suite 700  
San Francisco, California  
94105

## Meeting Agenda - Final

### ABAG FAN Executive Committee

*Chair, Charles Lomeli, Treasurer-Tax Collector-County Clerk,  
County of Solano*

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Thursday, June 6, 2019

3:00 PM

Golden Gate CR 8102

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#### ABAG Finance Authority for Nonprofit Corporations Executive Committee

The ABAG FAN Executive Committee may act on any item on the agenda.

The meeting is scheduled to begin at 3:00 p.m.

Agenda, roster, and webcast available at <http://abag.ca.gov>

For information, contact Clerk of the Board at (415) 820-7913.

#### Executive Committee Roster

Charles Lomeli, Treasurer-Tax Collector-County Clerk, County of Solano

Jonathan Kadlec, Assistant Auditor-Controller-Treasurer-Tax Collector,  
County of Sonoma

Paul McDonough, Debt Management Officer, County of Santa Clara

Russell Watts, Treasurer-Tax Collector, County of Contra Costa

#### Location

Bay Area Metro Center, 375 Beale Street, Golden Gate Conference Room 8102, San Francisco,  
California

#### Teleconference Locations

County of Contra Costa, 625 Court Street, Room 100/102, Martinez, California

County of Santa Clara, County Government Center, 70 West Hedding Street, E. Wing, 2nd  
Floor, San Jose, California

County of Solano, County Government Center, 675 Texas Street, Suite 1900, Fairfield,  
California

County of Sonoma, County Fiscal Building, 585 Fiscal Drive, Suite 100, Santa Rosa, California

#### 1. Call to Order / Roll Call / Confirm Quorum

#### 2. Public Comment

*Information*

#### 3. Executive Committee Announcements

*Information*

#### 4. Consent Calendar

- 4.a. [19-0654](#) Approval of ABAG FAN Executive Committee Minutes of April 4, 2019

Action: Approval

Presenter: Secretary

Attachments: [Item 04 Minutes 20190404 Draft.pdf](#)

#### 5. Adoption of Resolution No. 2019-001

5. [19-0655](#) Adoption of Resolution No. 2019-001 Authorizing the Reissuance of the ABAG Finance Authority for Nonprofit Corporations Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2005 Reissuance

Action: Approval

Presenter: Brian Mayhew

Attachments: [Item 05 Summary Sheet IDA.pdf](#)

[Item 05 Attachment A Supplemental Trust Agreement and Supplemental Loan Agr](#)

[Item 05 Attachment B Sperry 2019-05-23 ABAG FAN - IDA Reissuance Due Dil](#)

[Item 05 Attachment C Resolution 2019 001 ABAG FAN IDA Reissuance.pdf](#)

[Item 05 Attachment D TEFRA Proof of Publication ABAG FAN IDA.pdf](#)

[Item 05 Attachment E TEFRA Reso 052119 ag14 Reso #19-062 signed.pdf](#)

#### 6 Report on ABAG FAN Successor Agency and Authorization to Conduct Initial Transactions Review

- 6 [19-0659](#) Report on ABAG FAN Successor Agency and Authorization to Conduct Initial Transactions Review

Action: Approval

Presenter: Brian Mayhew

Attachments: [Item 06 Summary Successor Agency.pdf](#)

[Item 06 Attachment Nixon Peabody Successor Agency.pdf](#)

#### 7. Adjournment / Next Meeting

*The next meeting of the ABAG FAN Executive Committee is on August 1, 2019.*

**Public Comment:** The public is encouraged to comment on agenda items at Committee meetings by completing a request-to-speak card (available from staff) and passing it to the Committee secretary. Public comment may be limited by any of the procedures set forth in Section 3.09 of MTC's Procedures Manual (Resolution No. 1058, Revised) if, in the chair's judgment, it is necessary to maintain the orderly flow of business.

**Meeting Conduct:** If this meeting is willfully interrupted or disrupted by one or more persons rendering orderly conduct of the meeting unfeasible, the Chair may order the removal of individuals who are willfully disrupting the meeting. Such individuals may be arrested. If order cannot be restored by such removal, the members of the Committee may direct that the meeting room be cleared (except for representatives of the press or other news media not participating in the disturbance), and the session may continue.

**Record of Meeting:** Committee meetings are recorded. Copies of recordings are available at a nominal charge, or recordings may be listened to at MTC offices by appointment. Audiocasts are maintained on MTC's Web site ([mtc.ca.gov](http://mtc.ca.gov)) for public review for at least one year.

**Accessibility and Title VI:** MTC provides services/accommodations upon request to persons with disabilities and individuals who are limited-English proficient who wish to address Commission matters. For accommodations or translations assistance, please call 415.778.6757 or 415.778.6769 for TDD/TTY. We require three working days' notice to accommodate your request.

**可及性和法令第六章:** MTC 根據要求向希望來委員會討論有關事宜的殘疾人士及英語有限者提供服務/方便。需要便利設施或翻譯協助者，請致電 415.778.6757 或 415.778.6769 TDD / TTY。我們要求您在三個工作日前告知，以滿足您的要求。

**Acceso y el Titulo VI:** La MTC puede proveer asistencia/facilitar la comunicación a las personas discapacitadas y los individuos con conocimiento limitado del inglés quienes quieran dirigirse a la Comisión. Para solicitar asistencia, por favor llame al número 415.778.6757 o al 415.778.6769 para TDD/TTY. Requerimos que solicite asistencia con tres días hábiles de anticipación para poderle proveer asistencia.

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Attachments are sent to Committee members, key staff and others as appropriate. Copies will be available at the meeting.

All items on the agenda are subject to action and/or change by the Committee. Actions recommended by staff are subject to change by the Committee.



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 19-0654      **Version:** 1      **Name:**  
**Type:** Minutes      **Status:** Committee Approval  
**File created:** 5/24/2019      **In control:** ABAG FAN Executive Committee  
**On agenda:** 6/6/2019      **Final action:**  
**Title:** Approval of ABAG FAN Executive Committee Minutes of April 4, 2019  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:** [Item 04 Minutes 20190404 Draft.pdf](#)

Date	Ver.	Action By	Action	Result
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Approval of ABAG FAN Executive Committee Minutes of April 4, 2019

Secretary

Approval



375 Beale Street  
Suite 700  
San Francisco, California  
94105

## Meeting Minutes - Draft

### ABAG FAN Executive Committee

*Chair, Charles Lomeli, Treasurer-Tax Collector-County Clerk,  
County of Solano*

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Thursday, April 4, 2019

10:00 AM

Golden Gate CR 8102

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#### ABAG Finance Authority for Nonprofit Corporations Executive Committee

The ABAG FAN Executive Committee may act on any item on the agenda.

The meeting is scheduled to begin at 10:00 a.m.

Agenda, roster, and webcast available at <http://abag.ca.gov>

For information, contact Clerk of the Board at (415) 820-7913.

#### Executive Committee Roster

Charles Lomeli, Treasurer-Tax Collector-County Clerk, County of Solano

Jonathan Kadlec, Assistant Auditor-Controller-Treasurer-Tax Collector,  
County of Sonoma

Paul McDonough, Debt Management Officer, County of Santa Clara

Russell Watts, Treasurer-Tax Collector, County of Contra Costa

#### Location

Bay Area Metro Center, 375 Beale Street, Golden Gate Conference Room 8102, San Francisco,  
California

#### Teleconference Locations

625 Court Street, Room 100/102, Martinez, California

County Government Center, 70 West Hedding Street, E. Wing, 2nd Floor, San Jose, California

County Fiscal Building, 585 Fiscal Drive, Suite 100, Santa Rosa, California

### 1. Call to Order / Roll Call / Confirm Quorum

Chair Lomeli called the meeting to order at about 10:03 a.m. Quorum was present.

The following members participated by teleconference: Kadlec, Watts.

**Present:** 3 - Kadlec, Lomeli, and Watts

**Absent:** 1 - McDonough

### 2. Public Comment

There was no public comment.

### 3. Executive Committee Announcements

There were no Executive Committee member announcements.

### 4. Approval of Executive Committee Minutes of March 7, 2019

[19-0318](#) Approval of Executive Committee Minutes of March 7, 2019

Upon the motion by Kadlec and second by Watts, the ABAG FAN Executive Committee minutes of March 7, 2019 were approved. The motion passed unanimously by the following vote:

**Aye:** 3 - Kadlec, Lomeli, and Watts

**Absent:** 1 - McDonough

### 5. Portfolio Forecast Report

[19-0319](#) Portfolio Forecast Report

Upon the motion by Watts and second by Kadlec, the Portfolio Forecast Report was approved. The motion passed unanimously by the following vote:

**Aye:** 3 - Kadlec, Lomeli, and Watts

**Absent:** 1 - McDonough

### 6. Operating Budget Report

[19-0320](#) Operating Budget Report

Upon the motion by Kadlec and second by Lomeli, the Fiscal Year 2019-20 Operating Budget, including authorization to staff to move expenses between categories during the fiscal year provided that the overall budget is not exceeded at any time without the prior approval of the ABAG FAN Executive Committee, was approved. The motion passed unanimously by the following vote:

**Aye:** 3 - Kadlec, Lomeli, and Watts

**Absent:** 1 - McDonough

### 7. Adjournment / Next Meeting

Chair Lomeli adjourned the meeting at about 10:20 a.m. The next meeting of the ABAG FAN Executive Committee is on May 2, 2019.



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

<b>File #:</b>	19-0655	<b>Version:</b>	1	<b>Name:</b>	
<b>Type:</b>	Report	<b>Status:</b>		Committee Approval	
<b>File created:</b>	5/24/2019	<b>In control:</b>		ABAG FAN Executive Committee	
<b>On agenda:</b>	6/6/2019	<b>Final action:</b>			
<b>Title:</b>	Adoption of Resolution No. 2019-001 Authorizing the Reissuance of the ABAG Finance Authority for Nonprofit Corporations Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2005 Reissuance				
<b>Sponsors:</b>					
<b>Indexes:</b>					
<b>Code sections:</b>					
<b>Attachments:</b>	<a href="#">Item 05 Summary Sheet IDA.pdf</a> <a href="#">Item 05 Attachment A Supplemental Trust Agreement and Supplemental Loan Agreement ABAG FAN</a> <a href="#">Item 05 Attachment B Sperry 2019-05-23 ABAG FAN - IDA Reissuance Due Diligence Report.pdf</a> <a href="#">Item 05 Attachment C Resolution 2019 001 ABAG FAN IDA Reissuance.pdf</a> <a href="#">Item 05 Attachment D TEFRA Proof of Publication ABAG FAN IDA.pdf</a> <a href="#">Item 05 Attachment E TEFRA Reso 052119 ag14 Reso #19-062 signed.pdf</a>				

Date	Ver.	Action By	Action	Result
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Adoption of Resolution No. 2019-001 Authorizing the Reissuance of the ABAG Finance Authority for Nonprofit Corporations Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2005 Reissuance

Brian Mayhew

Approval

# **ABAG Finance Authority for Nonprofit Corporations**

## **Executive Committee**

**June 6, 2019**

**Agenda Item 5**

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### **Adoption of Resolution No. 2019-001 Authorizing the Reissuance of the ABAG Finance Authority for Nonprofit Corporations Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2005 Reissuance**

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**Subject:** Adoption of Resolution No. 2019-001 authorizing the reissuance of the ABAG Finance Authority for Nonprofit Corporations Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2005 reissuance

**Background:** Staff requests approval of Resolution No. 2019-001 authorizing the reissuance of the ABAG Finance Authority for Nonprofit Corporations Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2005 reissuance.

The Series 2005 bonds were originally issued to finance the Institute for Defense Analyses, a 501(c)(3) nonprofit corporation whose primary purpose is to address national security issues and conduct research on behalf of US government agencies. IDA operates three Federally Funded Research and Development Centers focusing on studies/analysis, communications/computing, and science/technology. The 2015 refunding bonds were issued by the ABAG Finance Authority for Non Profit Corporations (Authority) provide for BB&T Community Holdings Co. to purchase the bonds as well as amending restating the bearing interest at the alternate rate. Approximately \$10.6 million of the bonds remains outstanding.

The Borrower desires to amend and supplement the 2015 amended bond documents pursuant to the Supplemental Trust Indenture and Supplemental Loan Agreement to extend the Bank Holder Rate Period and to amend the bond interest rate (Attachment A). These amendments will result in a reissuance of the Bonds for federal tax purposes.

Staff received an application from the Institute for Defense Analyses requesting approval of the maturity extension and increase in Bank Holder Rate resulting in the reissuance of the Series 2005 bonds. The principal details are:

- Applicant—Institute for Defense Analyses
- Address—4320 Westerra Court, San Diego, CA 92121
- Structure—Private Placement Transaction
- Purpose—Reissuance of 2005 bonds for federal tax purposes
- Principal—not to exceed \$10,750,000
- Bond Counsel—Jones Hall, PLC



# **ABAG Finance Authority for Nonprofit Corporations**

## **Executive Committee**

**June 6, 2019**

**Agenda Item 5**

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### **Adoption of Resolution No. 2019-001 Authorizing the Reissuance of the ABAG Finance Authority for Nonprofit Corporations Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2005 Reissuance**

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The Borrower submitted their Audited Financial Statements for three years. Currently, the Institute for Defense Analyses' debt is financed with tax exempt variable rate bonds which are privately held by BB&T Bank with interest being paid on a monthly basis. The bonds require that the Institute meet certain financial covenants including maintaining a debt service coverage ratio of 1.1 to 1.0 as well as other liquidity ratios at the end of each fiscal year.

Staff engaged Sperry Capital as financial advisor to the Authority. Sperry Capital completed a Due Diligence Report identifying potential risks that should be considered if the proposed reissuance transaction is approved (Attachment B). The report confirmed that with respect to the Authority's responsibilities as issuer on the bonds, the Authority has no financial liability, no ongoing continuing disclosure requirements, no ongoing regulatory requirements, and no ongoing monitoring responsibilities. In opinion of staff, the Institute for Defense Analyses does not pose any direct financial or credit default risk to the Authority.

#### Resolution No. 2019-001

Resolution No. 2019-001 authorizes the reissuance of the series 2005 bonds (Attachment C). There are certain findings and certifications contained in the Resolution required by the Authority, authorizes certain actions and findings:

- Principal Amount not to exceed \$10,750,000
- Approval of the Supplemental Trust Indenture and Supplemental Loan Agreement
- Authorizes the FAN officers to execute the appropriate documents.

In addition, there is the Notice of Public Hearing (Attachment D) that was held in San Diego including findings as follows:

- The Board as an "applicable elected representative" for purposes of holding the TEFRA Hearing.
- Board finds that this project will have significant public benefit in the form of:

**ABAG Finance Authority for Nonprofit Corporations**

**Executive Committee**

**June 6, 2019**

**Agenda Item 5**

**Adoption of Resolution No. 2019-001 Authorizing the Reissuance of the ABAG Finance Authority for Nonprofit Corporations Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2005 Reissuance**

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- (a) cost savings by interest rate, bond preparation, bond underwriting, or issuance costs;
- (b) reduced effective user charges levied by local agency;
- (c) employment benefits from undertaking Project in timely fashion;
- (d) more efficient delivery.

**Issues:** None.

**Recommended Action:** The ABAG FAN Executive Committee is requested to adopt Resolution No. 2019-001 Authorizing the Reissuance of the ABAG Finance Authority for Nonprofit Corporations Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2005.

**Attachments:**

- A. Supplemental Trust Agreement and Supplemental Loan Agreement
- B. Reissuance Due Diligence Report
- C. Resolution No. 2019-001
- D. TEFRA Proof of Publication
- E. TEFRA Approved Resolution

**Reviewed:**

  
Therese W. McMillan

**SUPPLEMENTAL TRUST INDENTURE AND  
SUPPLEMENTAL LOAN AGREEMENT**

Dated as of \_\_\_\_\_, 2019

By and Among

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS,  
INSTITUTE FOR DEFENSE ANALYSES

And

WELLS FARGO BANK, NATIONAL ASSOCIATION

Amending Amended and Restated Trust Indenture and Amended and Restated Loan Agreement,  
each dated as of September 1, 2005 and  
Amended and Restated as of December 2, 2015

Relating to

**ABAG Finance Authority For Nonprofit Corporations  
Variable Rate Revenue Bonds  
(Institute for Defense Analyses Project)  
Series 2005**

This SUPPLEMENTAL TRUST INDENTURE AND SUPPLEMENTAL LOAN AGREEMENT (the “**Supplement**”) dated as of \_\_\_\_\_, 2019 (the “**Date of Execution**”) is by and among ABAG Finance Authority For Nonprofit Corporations, a California joint exercise of powers authority (the “**Issuer**”), INSTITUTE FOR DEFENSE ANALYSES, a Delaware non-profit corporation (the “**Borrower**”) and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (the “**Trustee**”) and amends and supplements the Amended and Restated Trust Indenture (the “**2015 Trust Indenture**”) between the Issuer and the Trustee and the Amended and Restated Loan Agreement (the “**2015 Loan Agreement**”) between the Issuer and the Borrower, each dated as of September 1, 2005 as amended and restated as of December 2, 2015 and as amended by the Modification Agreement and Allonge dated as of [still not signed]. Capitalized terms used herein and not otherwise defined have the meanings given them in the 2015 Trust Indenture.

### RECITALS

- A. Article XI of the 2015 Trust Indenture provides for the execution and delivery of certain supplemental trust indentures by the Trustee at the request of the Issuer and with the consent of Institute for Defense Analyses and BB&T Community Holdings Co. (“**BB&TCHC**”), as the Owner of the Bonds.
- B. Article XII of the 2015 Trust Indenture and Article X of the 2015 Loan Agreement provide for the amendment of the Loan Agreement by the Borrower and the Issuer with the consent of the Trustee and the Owner of the Bonds.
- C. The Borrower, by letter to the Issuer dated March \_\_, 2019, has requested the Issuer and the Trustee to enter into a supplemental trust indenture and supplemental loan agreement in substantially the form of this Supplement.
- D. BB&TCHC, as Owner of all of the outstanding Bonds, has granted its consent and approval to execution and delivery of this Supplement.
- E. Concurrently with the execution and delivery of this Supplement, the Borrower and BB&TCHC are executing and delivering a 2019 Amendment to the Continuing Covenants Agreement (the “**2019 CCA Amendment**”) which amends the Continuing Covenants Agreement dated as of December 2, 2015 between the Borrower and BB&TCHC related to the Bonds.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter contained, the Issuer and the Trustee agree as follows:

#### **Section 1.01: Amendments to the 2015 Trust Agreement and 2015 the Loan Agreement.**

- 1. The ending date for the “Bank Holder Rate Period” defined in Exhibit A on page A-2 of the 2015 Trust Indenture and in Exhibit A on page A-2 of the 2015 Loan Agreement, is hereby changed from January 5, 2026 to October 1, 2029, and all references to January 5, 2026 in the 2015 Trust Indenture and the 2015 Loan

Agreement as they relate to the ending date of the Bank Holder Rate Period shall be deemed to refer to October 1, 2029.

2. Each of the defined terms in Exhibit A to the 2015 Trust Indenture and the 2015 Loan Agreement (“**Exhibit A**”) also identified in Attachment A hereto is deleted in its entirety and replaced with the corresponding term and definition in Attachment A. The terms “Rating,” “Rating Agencies,” “Applicable Spread,” “Applicable Tax Exempt Spread” and “Applicable Taxable Spread” and their respective definitions in Attachment A are also inserted in Exhibit A.
3. In the definition of “Tax Exempt Rate,” the words “68%” are deleted and replaced with the words “79%.”
4. Section 2.05(e)(i) of the 2015 Trust Indenture is amended to delete the word “decline” and replace it with the word “change.”

**Section 1.02: Effectiveness of Certain Amendments to the 2015 Trust Agreement and the 2015 Loan Agreement.** The amendments described in Section 1.01 above shall become effective as of the date that is thirty-two (32) days following the later of (i) the redemption by the Industrial Development Authority of the City of Alexandria of approximately \$44,130,000 of its Variable Rate Revenue Bonds (Institute of Defense Analyses Project) Series 2015A with the proceeds of a taxable loan made by Branch Banking and Trust Company to the Borrower, and (ii) the 2019 CCA Amendment becomes effective in accordance with its terms, and (iii) the Date of Execution.

#### Section 1.03: Miscellaneous

- 1.. The Issuer and the Trustee consent to the execution and delivery of an Allonge to the Borrower’s Amended and Restated Promissory Note dated December 2, 2015 (the “**Note**”) giving effect to the amendments contained herein in substantially the form attached hereto as Attachment B and an allonge to the Bond substantially in the form attached hereto as Attachment C, upon execution of which BB&TCHC agrees to permanently affix the Allonge to Note to the Note and the Allonge to Bond to the Bond.
2. As supplemented hereby, the 2015 Trust Indenture and the 2015 Loan Agreement are in all respects ratified and confirmed, and as supplemented, each shall be read and construed as one and the same instrument.
3. This Supplement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.
4. This Supplement shall be governed by and construed in accordance with the laws of the State of California.

5. The Issuer and Trustee hereby waive notice otherwise required under Sections 11.02(c) and 11.03 of the 2015 Trust Indenture.

*The remainder of the page is intentionally left blank.*

IN WITNESS WHEREOF, each of the parties hereto has caused this Supplement to be executed on its behalf by its duly authorized officer as of the date entered above.

**ISSUER:**

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**, a California joint exercise of powers authority

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BORROWER:**

**INSTITUTE FOR DEFENSE ANALYSES**,  
a Delaware non-profit corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**TRUSTEE:**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*Entered into with the consent of the Owner of the Bonds:*

**BB&T Community Holdings Co.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**“Fitch”** means Fitch Group and any successor rating agency to such entity.

**“LIBOR”** means the average rate quoted by Bloomberg Finance L.P., or any quoting service or commonly available source utilized by the Bank Holder, on the determination date for deposits in U. S. Dollars offered in the London interbank market for one month determined at approximately 11:00 am London time two (2) Business Days prior to the commencement of the applicable LIBOR Accrual Period; provided that if the above method for determining LIBOR shall not be available, LIBOR shall be the rate quoted in The Wall Street Journal and provided further that if neither of the above methods for determining LIBOR shall be available, then (i) if Bond Counsel has delivered an opinion addressed to the Trustee, the District and such Owner (and upon which the Borrower may rely) stating that such modification would not adversely affect the tax-exemption of the interest on the Bonds for federal income tax purposes, then LIBOR shall mean a rate determined by a substitute method of determination agreed on by Borrower and the Owner and, if such agreement is not reached within a reasonable period of time (in Owner's sole judgment), a rate reasonably determined by Owner in its sole discretion as a rate being paid, as of the determination date, by first class banking organizations (as determined by the Owner) in the London interbank market for U. S. Dollar deposits and (ii) if Bond Counsel is unable to deliver the aforesaid opinion, then the LIBOR component of the interest rate borne by such Bonds shall instead be deemed and interpreted to mean the Standard Rate pursuant to and as set forth in Section 2.05 (e) (v) of the Indenture. Notwithstanding the foregoing, if LIBOR shall be less than zero, then LIBOR shall be deemed to be zero for purposes of the Bond Documents.

**“Moody’s”** means Moody’s Investor Services, Inc. and any successor rating agency to such entity.

**“Rating Agencies”** means S&P, Moody’s and/or Fitch, as applicable.

**“S&P”** means Standard & Poor’s Rating Services, a Standard & Poor’s Financial Services LLC business, and any successor rating agency to such entity.

**“Spread”** means (i) during the initial Bank Holder Rate Period commencing on the Closing Date, the rate determined as the Applicable Spread for Tax-Exempt Rate determined by reference to the pricing grid set forth in the definition of **Applicable Tax Exempt Spread** and (ii) during any subsequent Bank Holder Rate Period, the percentage rate per annum determined by the Bank Holder Calculation Agent to be the lowest percentage rate necessary, when used to determine the Tax-Exempt Rate, to result in a remarketing or placement of the Bonds at a price of par plus accrued interest, without premium or discount, taking into account prevailing market conditions at the time of such remarketing or placement.

**“Applicable Tax Exempt Spread”** means the rate per annum associated with the applicable Rating, in the pricing grid as specified below, for the Tax-Exempt Rate, as applicable:



Level	Rating (if S&P)	Rating (if Moody's)	Rating (if Fitch)	Applicable Spread for Tax-Exempt Rate
Level 1	A- or higher	A3 or higher	A- or higher	.75%
Level 2	BBB+	Baa 1	BBB+	.85%
Level 3	BBB	Baa 2	BBB	.95%
Level 4	BBB-	Baa 3	BBB-	1.10%

**“Rating”** shall mean the lowest of the long-term unenhanced debt ratings of the senior unsecured general obligation debt of Borrower assigned by any of the Rating Agencies then rating such debt. Any change in the Applicable Spread resulting from a change in Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to Ratings above are references to rating categories as presently determined by the applicable Rating Agency and in the event of adoption of any new or changed rating system by a Rating Agency, each of the Ratings from such Rating Agency referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. If (i) the lowest Rating assigned by the Rating Agencies then rating the Borrower’s senior unsecured general obligation debt is below BBB- or Baa 3 or BBB- from S&P, Moody’s or Fitch, respectively, or (ii) no Ratings are assigned to the senior unsecured general obligation debt of the Borrower from any Rating Agency or such Rating Agency has withdrawn or suspended its ratings of the Borrower’s senior unsecured general obligation debt, or (iii) an Event of Default has occurred and is continuing hereunder, the Default Rate shall be the interest rate on the Bonds.

**“Taxable Spread”** means (i) during the Bank Holder Rate Period commencing on the Closing Date, the rate determined as the Applicable Spread for Taxable Rate determined by reference to the pricing grid set for the definition of Applicable Taxable Spread, and (ii) during any subsequent Bank Holder Rate Period, the percentage rate per annum determined by the Bank Holder Calculation Agent to be the lowest percentage rate necessary, when used to determine the Taxable Rate, to result in a remarketing or placement of the Bonds at a price of par plus accrued interest, without premium or discount, taking into account prevailing market conditions at the time of such remarketing or placement.

**“Applicable Taxable Spread”** means the rate per annum associated with the applicable Rating, in the pricing grid as specified below, for the Taxable Rate, as applicable;

Level	Rating (if S&P)	Rating (if Moody's)	Rating (if Fitch)	Applicable Spread for Taxable Rate
Level 1	A- or higher	A3 or higher	A- or higher	0.95%
Level 2	BBB+	Baa 1	BBB+	1.08%
Level 3	BBB	Baa 2	BBB	1.20%
Level 4	BBB-	Baa 3	BBB-	1.39%

Form of Allonge to Promissory Note

## ALLONGE TO PROMISSORY NOTE

This ALLONGE TO PROMISSORY NOTE (the "Allonge") is made and entered into as of \_\_\_\_\_, 2019, and is to be attached to and form a part of that certain \$11,945,000 Amended and Restated Promissory Note dated December 2, 2015 (the "Note"), made by INSTITUTE FOR DEFENSE ANALYSES, a Delaware non-profit corporation (the "Borrower") and payable to the order of ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS (the "Issuer"), or assigns.

WHEREAS, Wells Fargo Bank, National Association, as Trustee (the "Trustee") is the present owner and holder of the Note, by virtue of an assignment from the Issuer as contemplated in the Amended and Restated Trust Indenture dated as of September 1, 2005 as amended and restated as of December 2, 2015 (the "Trust Indenture") between the Issuer and the Trustee.

WHEREAS, the Borrower issued the Note as contemplated by the Trust Indenture in connection with the issuance by the Issuer of \$11,945,000 ABAG Finance Authority For Nonprofit Corporations Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2005 (the "Bonds").

WHEREAS, BB&T COMMUNITY HOLDINGS CO. a Nevada corporation, is the owner of the Bonds and the "Bank Holder" as defined in the Trust Indenture.

WHEREAS, the Issuer, the Borrower, the Trustee and the Bank Holder have agreed to make certain amendments to the Trust Indenture and to the Amended and Restated Loan Agreement dated as of September 1, 2005 as amended and restated as of December 2, 2015 (the "Loan Agreement") between the Issuer and the Borrower affecting the "Bank Holder Rate Period" as defined in the Trust Indenture and the interest rate borne by the Bonds and the Note, among other things,

NOW, THEREFORE, in consideration of the foregoing, of the agreements hereinafter set forth and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Note is hereby amended and modified as follows:

1. The recitals set forth above are incorporated herein and made a part hereof. Terms used herein and not otherwise defined shall have the same meanings given to such terms in the Trust Indenture.

2. All references in the Note to the "Trust Indenture" and the "Loan Agreement," respectively, henceforward shall be deemed references to the Trust Indenture, as amended and supplemented from time to time and to the Loan Agreement, as amended and supplemented from time to time.

3. This Allonge shall be effective as of the date hereof and shall be binding on each party's respective assigns and successors in interest.

4. This Allonge shall be executed by the Borrower and delivered to the Bank Holder and shall become a part of and be permanently attached as an allonge to the Note, and the Note and this Allonge shall be read and construed as one instrument constituting the evidence of the Borrower's indebtedness to the Issuer. The Borrower acknowledges and agrees that there are no known defenses, counterclaims or set-offs against any of its obligations under the Note, as modified hereby.

5. All of the other terms, conditions and provisions of the Note are hereby ratified, confirmed and reaffirmed, it being the intention of the parties hereto that the Note shall remain in full force and effect, except as expressly modified hereby.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Borrower has executed this Allonge as of the day and year first above written.

**INSTITUTE FOR DEFENSE ANALYSES**, a Delaware non-profit corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ALLONGE TO PROMISSORY NOTE  
CONSENTED TO AND AUTHORIZED:

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

BB&T COMMUNITY HOLDINGS CO.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Form of Allonge to Bond

**ALLONGE TO BOND**

THIS ALLONGE TO BOND (“Allonge to Bond”) is made and entered into as of \_\_\_\_\_, 2019, and is to be attached to the below identified Bond issued by ABAG Finance Authority for Nonprofit Corporations (the “Issuer”):

ABAG Finance Authority for Nonprofit Corporations  
Variable Rate Revenue Bond  
(Institute for Defense Analyses Project)  
Series 2005

No. R-2, dated December 2, 2015 in the original principal amount of \$10,750,000

1. The paragraph entitled “Bank Holder Rate Period” on page 7 of the Bond is amended to delete the date stated on the first line thereof and to replace it with the date October 1, 2029.
2. The seventh sentence in the paragraph entitled “Bank Holder Rate Period” shall be amended by deleting the word “decline” and replacing such word with the word “change.”
3. This Allonge to Bond shall be effective as of the date hereof and shall be binding on each party’s respective assigns and successors in interest. This Allonge to Bond shall become part of and shall be permanently attached as an allonge to the Bond and the Bond and this Allonge to Bond shall be read and construed as one instrument.

IN WITNESS WHEREOF, the Issuer has caused this Allonge to be executed in its name and its official seal to be impressed or imprinted hereon, and attested by its Secretary all as of the date referenced above.

ABAG FINANCE AUTHORITY FOR  
NONPROFIT CORPORATIONS

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ACKNOWLEDGED:

WELLS FARGO BANK, N.A.,  
as Trustee

By: \_\_\_\_\_

Its: \_\_\_\_\_

BB&T COMMUNITY HOLDINGS CO.

By: \_\_\_\_\_

Its: \_\_\_\_\_





\$10,750,000

ABAG Finance Authority for Nonprofit Corporations  
(Institute for Defense Analyses Project)

2019 Reissuance Bonds (Non-Rated)

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**DUE DILIGENCE REPORT**

**MAY 23, 2019**

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## **I. EXECUTIVE SUMMARY**

The purpose of this report (the “Due Diligence Report”) is to provide the Association of Bay Area Governments Finance Authority for Nonprofit Corporations (“ABAG FAN,” the “Authority” or “Issuer”) with an understanding of the level of credit risk of the Institute for Defense Analyses (“IDA” or the “Borrower”) and any other risks the Authority would assume by serving as conduit issuer for the proposed ABAG FAN 2019 Reissuance Bonds. Key information included in this report are:

- Review of information on the Borrower and previous issuances through ABAG FAN;
- Review of relevant financial and bond documents, specifically the draft Supplemental Trust Indenture and Supplemental Loan Agreement and draft Bond Resolution of the ABAG FAN Board of Directors related to the proposed ABAG FAN 2019 Reissuance Bonds;
- A quantitative assessment and analysis of IDA’s annual financial statements; and
- A qualitative assessment of ABAG FAN’s responsibilities as Issuer and risks relevant to the transaction.

## **II. BACKGROUND**

### **A. BORROWER DESCRIPTION**

IDA is a private not-for-profit corporation which administers three federally-funded research and development centers. IDA’s largest federally-funded research and development center is the Systems and Analyses Center, sponsored by the Office of the Secretary of Defense. The second largest is the Center for Communications and Computing, in support of the National Security Agency, which consists of two Centers for Communication Research (“CCR”) located in New Jersey, and La Jolla, California, and the Center for Computing Sciences located in Maryland. The third is the Science and Technology Policy Institute, supporting the White House Office of Science and Technology Policy, the National Science Foundation, the National Science Board, and other offices and councils within the executive branch of the federal government.

The facilities financed through bond issuances for which ABAG FAN has served as Issuer house IDA’s CCR in La Jolla, located at 4320 Westerra Court, San Diego, California. In September 1991, the Institute paid the City of San Diego \$1,200,000 for a 55-year ground lease for the CCR La Jolla. In September 2005, the proceeds of the ABAG FAN issuance of \$11,945,000 ABAG Finance Authority for Nonprofit Corporations Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2005 (the “ABAG FAN Series 2005 Bonds”) were used to finance the expansion and renovation (including the costs of construction, renovations, improvements and equipping) of the CCR La Jolla facility. In October 2005, IDA formally exercised an option with the City of San Diego under the 1991 lease to allow expansion to 50,000 square feet of building area for the CCR La Jolla building.

## **B. ORIGINAL BOND STRUCTURE AND 2015 REISSUANCE**

The ABAG FAN Series 2005 Bonds were issued pursuant to a Trust Indenture, dated as of September 1, 2005, between the Authority as Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”), as amended and supplemented by that certain First Supplemental Trust Indenture, dated as of July 1, 2008, between the Issuer and the Trustee (collectively, the “Original Indenture”). The Issuer loaned the proceeds of the ABAG FAN Series 2005 Bonds to the Borrower, pursuant to a Loan Agreement, dated as of September 1, 2005, between the Authority and IDA, as amended and supplemented by a First Supplement to Loan Agreement, dated as of July 1, 2008, between the Authority and IDA (as supplemented, the “Original Loan Agreement”). Prior to the bond issuance in September 2005, the Board of Supervisors of San Diego County held a TEFRA hearing and authorized the issuance of the ABAG FAN Series 2005 Bonds pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended.

In June 2008, \$11,945,000 of outstanding principal of the ABAG FAN Series 2005 Bonds were remarketed along with \$3,720,000 of outstanding principal of California Statewide Communities Development Authority Variable Rate Refunding Bonds (Institute for Defense Analyses Project) Series 2000 (“CSCDA Series 2000 Bonds”). The proceeds of CSCDA Series 2000 bonds and other moneys were used for the purposes of providing for the current prepayment of certificates of participation issued in 1992, the proceeds of which were loaned to the Borrower to finance the acquisition, construction, and equipping of its office research facility located at 4320 Westerra Court, San Diego, California, along with other purposes related to funding a debt service reserve fund and other costs associated with the bond issuance. The bonds were remarketed in connection with the mandatory tender and remarketing caused by the deposit of the Letters of Credit issued by BB&T Community Holdings Co. (“BB&T”) securing the principal and purchase price of and interest on the CSCDA Series 2000 Bonds and ABAG FAN Series 2005 Bonds.

The Original Indenture of the ABAG FAN Series 2005 Bonds was amended and restated pursuant to an Amended and Restated Trust Indenture, dated as of December 2, 2015, between the Issuer and the Trustee (the “2015 Indenture”) and the Original Loan Agreement was amended and restated pursuant to an Amended and Restated Loan Agreement, dated as of December 2, 2015, between the Issuer and IDA (the “2015 Loan Agreement”), in order to document the conversion of the interest rate on the ABAG FAN Series 2005 Bonds to an Alternate Rate and the remarketing of the Bonds to BB&T, the sole registered owner of 100% of the ABAG FAN Series 2005 Bonds. With the consent of BB&T, as sole owner of the ABAG FAN Series 2005 Bonds, the bond insurance policy and the letter of credit securing the ABAG Series 2005 Bonds, were released and canceled, and \$1,195,000 of the principal amount of the Bonds was redeemed. As a result of these transactions, the ABAG FAN Series 2005 Bonds were treated as reissued for federal tax purposes on December 2, 2015 (“ABAG FAN Series 2015 Bonds”).

## **C. PROPOSED ABAG FAN 2019 REISSUANCE BONDS**

IDA has requested that the Authority and the Trustee enter into a Supplemental Trust Indenture and Supplemental Loan Agreement (the “2019 Supplement”) in order to match the tender provisions of the ABAG FAN Series 2015 Bonds with the tender provisions of a new bond financing through the Industrial

Development Authority of the City of Alexandria, Virginia (see following section for more information). Per our review of the draft 2019 Supplement between the Issuer, Borrower, and Trustee, the proposed 2019 Supplement will amend and supplement the 2015 Indenture and 2015 Loan Agreement. BB&T, as owner of all the outstanding bonds, has granted its consent and approval to execution and delivery of the 2019 Supplement per the draft bond documents. Like the ABAG FAN Series 2015 Bonds, the proposed reissuance is unrated.

The 2019 Supplement extends the Bank Holder Rate Period end date from January 5, 2026, to October 1, 2029, and revises the formula for determining the monthly interest rate on the Bonds through the new Bank Holder Rate Period. The 2015 Indenture defines the monthly interest rate, or “Tax-Exempt Rate,” as follows:

“A rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/100th of 1.0%), by adding (i) the product of (x) 68% and (y) One-Month LIBOR plus (ii) the Spread. The Tax-Exempt Rate shall be adjusted monthly on the first day of each LIBOR Accrual Period. The Tax-Exempt Rate shall also be adjusted for any change in the LIBOR Reserve Percentage so that the Owner shall receive the same yield.”

The new formula for the monthly interest rate per the 2019 Supplement amends variable (x) from 68% to 79%.

Jones Hall as Bond Counsel has determined that these changes will cause a reissuance of the Bonds under federal tax law and will result in an increase in weighted average maturity for the Bonds such that a new TEFRA hearing and approval is required prior to the date of the reissuance of the Bonds. The TEFRA hearing is currently scheduled for May 21, 2019, before the County of San Diego Board of Supervisors.

#### **D. PROPOSED VIRGINIA ISSUANCE**

The Industrial Development Authority of the City of Alexandria, Virginia, approved a bond resolution on April 2, 2019, to authorize the issuance of up to \$249.4 million in new money revenue bonds for the benefit of the IDA and the amendment and reissuance of up to \$57.515 million of its Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2015 (“Virginia Reissuance”) and to serve as conduit issuer on said issuance. The proposed bonds are backed by the Borrower, not by the full faith and credit of either Alexandria or the state of Virginia. Following approval of the transaction by the Industrial Development Authority of the City of Alexandria on April 2, 2019, the City Council of the City of Alexandria approved the bond resolution on April 23, 2019.

The proceeds of \$249.4 million new money issuance are intended for the purpose of refinancing the taxable debt incurred to finance the acquisition of land in Alexandria by IDA and construction of a new headquarters for the IDA in the Potomac Yard development. The project, per the bond resolution, will total 370,000 square feet above grade, comprising two six-story towers over a two-story base, along with two stories of below-grade parking.

The bond documents for the proposed Virginia reissuance were not made publicly available, and as such we are unable to review and compare them to the draft 2019 Supplement.

### **III. BORROWER FINANCIAL AND RISK ANALYSIS**

As part of our review, we were able to analyze audited financial statements provided by IDA for the fiscal years ended (FYE) September 28, 2018, September 29, 2017, September 30, 2016, and September 25, 2015, along with the unaudited interim financial statements for the first half of fiscal year (FY) 2019.

#### **A. OPERATIONS**

Per the financial statements, most of the IDA's revenue is from cost-plus-fixed-fee contracts, with a smaller portion related to fixed price contracts. IDA recognizes revenues from cost-plus-fixed-fee contracts on the basis of direct and indirect costs incurred, plus a fixed fee determined as a percentage of cost. Since 2015, annual revenue has remained steady, exhibiting minimal annual growth at 1.7% to 5.3%. In FY2018, IDA generated \$247.4 million in revenue, slightly up over FY2017 revenues of \$ 235.0 million. Revenue for the first half of FY2019 was \$115.0 million, compared to \$107.6 million during the same period the prior fiscal year.

Most of IDA's business is with U.S. Government departments and therefore is subject to certain risks, including the possibility of budget cuts or a lapse in funding, related to government funding for the research areas associated with IDA's operations. IDA recognizes revenue as costs are incurred, therefore it is difficult to ascertain what if any effect the U.S. federal government shutdown of 2018-2019 had on IDA's revenues and receivables based on the unaudited FY2019 financial statements. We were not provided with and have not reviewed any information relating to the length or terms of IDA's client contracts related to its revenues and therefore cannot make a determination as to whether or not IDA is likely to maintain future stability in its revenue stream.

IDA's expenses are primarily related to research and development costs and support costs (principally general and administrative costs). Contract expenses represent 96.8% of operating revenues on average, and non-contract expenses represent 2.2% of operating revenues on average.

With operating expenses averaging 98.9% of operating revenues, historically, IDA has had positive net operating income. Due to rising non-contract expenses, however, operating income has declined annually since 2015. In FY2018, operating income was \$1.5 million, a 30% decline from the year prior. FY2017 operating income of \$2.2 million represented a decline of 19.5% from the prior year, and FY2016 operating income of \$2.7 million represented a 24.1% decline from the year prior.

IDA has maintained a positive change in net assets since 2016. Net assets represent the accumulated excess of contract revenue and other income over total costs and expenses.

IDA also generates income from investments, unrealized gains on swap agreements, and miscellaneous sources. IDA generated \$15.9 million in investment and other income in FY2018 and \$25.1 million in FY2017.

## **B. FINANCIAL RESOURCES AND LIQUIDITY**

IDA's total current assets as of FYE 2018 held at \$58.6 million. As of FYE 2018, IDA had a cash balance of \$18.6 million, a decline of 18% compared to the year prior. IDA's investments include long-term equity and fixed income investments. The fair value of IDA's investments as of FYE 2018 and 2017 was \$208.8 million and \$196.1 million respectively, including a \$4.4 million certificate of deposit in both years. The fair value of investments as of March 15, 2019 was \$214.7 million. IDA's total cash and investments have increased annually since FYE 2015. As of FYE 2018, total cash and investments were \$227.4 million, up 4% from the year prior at \$218.8 million as of FYE 2017. As noted in the financial statements, market values of investments may change for a number of reasons, including changes in prevailing market and interest rates, increases in defaults, and credit rating downgrades.

It is unclear based on IDA's financial statements what is considered restricted cash, cash equivalents, or investments. As of FYE 2018 and 2019, IDA held a certificate for deposit of \$4.4 million for the purpose of paying the remaining balance of the 2016 land purchase in Alexandria, Virginia. Excluding this amount from investments and assuming all other cash, cash equivalents, and investments are unrestricted, IDA had a spendable cash and investments to operating expenses ratio of 0.9x in FY2018 and FY2017. Following that same assumption, as of FYE 2018 and FYE 2017 IDA had approximately 340 and 336 days cash on hand, respectively.

Net contract receivables as of FYE 2018 were \$27.0 million, a 12% percent increase versus FYE 2017 net contract receivables balance of \$24.2 million. Per the notes to the financial statements for FY2018, most of the IDA's business is with U.S. Government departments and agencies and is subject to government audit. The IDA is only able to bill certain costs and fees after the government has completed its audits; these costs and fees are included in unbilled receivables, as well as any costs recorded after the billing cycle. Per the financial statements, a management reserve is maintained for potential losses from certain areas of risk associated with performing contract work with the federal government. Per the financial statements, the management reserve balance as of September 28, 2018 and September 29, 2017 amounted to \$250,000 for both fiscal years and is included in accounts payable in the balance sheets.

As noted in the financial statements, as substantial portion of IDA's revenues and receivables are dependent on federal government audit. Any disruptions in U.S. government operations could have a material adverse impact on IDA's financial condition and results of operations. Any future federal government shutdown, U.S. government default on its debt and/or failure of the U.S. government to enact annual appropriations could have a material adverse impact on IDA's financial condition and results of operations.

## C. LEVERAGE AND OUTSTANDING DEBT

As of FY2018, IDA has \$80.9 million in outstanding debt in the form of tax-exempt variable rate bonds, as shown in the table below. All bonds are privately held by BB&T Bank, as noted in the financial statements. Interest on the bonds is paid monthly. Interest expense related to long-term debt was \$2.7 million and \$2.4 million for the fiscal years 2018 and 2017 respectively. The debt to operating revenue ratio for FY2018 and FY2017 was 0.3x for both years and for FY2016 and FY2015 was 0.4x for both years.

Issue	Original Par as of FY2016	Outstanding Par as of FYE			
		2018	2017	2016	2015
New Jersey Education Facilities Authority Variable Rate Revenue Bonds Series 2000D, 2015 Reissuance	\$11,070,000	\$8,286,356	\$8,781,480	\$9,272,103	\$11,339,147
California Statewide Communities Development Authority Variable Rate Revenue Refunding Bonds Series 2000, 2015 Reissuance	\$2,920,000	\$2,163,649	\$2,266,709	\$2,363,269	\$2,628,609
California Association of Bay Area Government (ABAG) Authority Variable Rate Revenue Bonds Series 2005, 2015 Reissuance	\$11,945,000	\$10,624,204	\$10,616,342	\$10,608,979	\$11,533,609
Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2006	See note.				\$14,464,273
Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2005	See note.				\$39,741,503
Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2000B	See note.				\$16,413,912
Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2015A	\$69,935,000	\$59,850,128	\$62,582,324	\$65,212,519	
<b>TOTAL</b>	<b>\$95,870,000</b>	<b>\$80,924,337</b>	<b>\$84,246,855</b>	<b>\$87,456,870</b>	<b>\$96,121,053</b>



Note: Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2006, Series 2005, and Series 2000B were refunded in FY 2016 by Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2015A.

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## 1. PLANNED NEW MONEY ISSUANCES

IDA plans to issue of up to \$249.4 million in revenue bonds through Industrial Development Authority of the City of Alexandria, Virginia, for the purpose of refinancing the taxable debt incurred to finance the acquisition of land in Alexandria by IDA and construction of a new headquarters for IDA in the Potomac Yard development. The bond documents are not publicly available and therefore have not been reviewed as a part of this Due Diligence Report.

Assuming the full \$249.4 million authorized is issued, outstanding debt for FY2019 would be projected at \$326.8 million (less any principal payments on the new money bonds). If assuming operating revenues for FY2019 increase at the average growth rate since 2015 (3.4%), IDA would have a 1.28x debt to operating revenue ratio. As noted previously, the debt to operating revenue ratio for FY2018 was 0.3x. The additional debt increase would represent a significant increase in leverage for IDA.

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## 2. FINANCIAL COVENANTS

Per IDA's financial statements, the bonds require that IDA meet certain financial covenants, including maintaining a debt service coverage ratio of 1.1x to 1.0x and certain other liquidity ratios at the end of each fiscal year. We do not have the bond documents for all IDA's bond issuances to review, with the exception of documents for the ABAG FAN Series 2005 and ABAG FAN Series 2015 Bonds, however, it is likely that the financial covenants are similar to, if not identical to, those on the ABAG FAN Series 2015 Bonds. Per IDA's financial statements, in the opinion of IDA management, IDA was in compliance with all covenants of the bonds as of September 28, 2018 and September 29, 2017.

Per the Continuing Covenants Agreement between IDA and BB&T for the ABAG FAN Series 2015 Bonds, IDA is required to meet certain financial covenants, including maintaining a debt service coverage ratio of 1.1x to 1.0x on any Measurement Date, which occur semiannually, on the last day of the Borrower's fiscal year and the last day of the 6<sup>th</sup> month following the fiscal year end. Failure to meet the debt service coverage ratio shall not constitute an event of default so long as the ratio of the Borrower's Unencumbered Liquid Assets to Long-Term Indebtedness as of such Measurement Date is at least 0.55x to 1.00x and the Borrower was in compliance with the debt service coverage ratio on the prior Measurement Date. In FY2018, the debt service coverage ratio declined from 9.8x in FY2017 to 5.8x.

The other financial covenant is an Unencumbered Liquid Assets to Long-Term Indebtedness Ratio which should achieve, on each Measurement Date, a ratio of Unencumbered Liquid Assets to

Long-Term Indebtedness of at least 0.40x to 1.00x. Since 2015, this ratio has remained above 1.9x, with ratios in FY2018 and FY2019 at 2.8x and 2.6x respectively.

#### **D. SWAP AGREEMENTS**

Per IDA's financial statements, IDA uses interest rate swap agreements "to effectively fix the interest rates on outstanding variable rate debt." The fair value of the swaps is based on a calculation specified in the agreements and any gain or loss is included in statement of activities.

Per IDA's financial statements, two of the swap agreements collectively hedge the cash flow associated with the Industrial Development Authority of the City of Alexandria Variable Rate Revenue Bonds Series 2015A. Both agreements are in the amount of \$18,485,000 and carry a fixed rate of 3.475% which the IDA pays. In return, IDA receives interest based on a variable rate equal to the USD-BMA municipal Swap Index. The agreements are set to expire October 1, 2030.

Per IDA's financial statements, the third Swap agreement is to hedge \$11,945,000 of the ABAG Series 2005 Bonds. The swap agreement carries a fixed rate of 3.416% which IDA pays. In return IDA receives interest based on a variable rate equal to 70% of LIBOR. The agreement is set to expire October 1, 2035. We note that the maturity of the swap agreement extends beyond the January 5, 2026, maturity of the outstanding ABAG FAN Series 2015 Reissuance Bonds and the maturity of the proposed ABAG FAN 2019 Reissuance Bonds, which extends the maturity to October 1, 2029. We have not been provided with any other information on the swap agreement, and therefore have not reviewed any information related to the counterparty, terms and conditions of the swap agreement, or triggers for unwinding the swap. It should also be noted that in 2021 regulators are expected to transition from LIBOR to a new index rate.

### **IV. QUALITATIVE RISK ASSESSMENT**

In general, the role of the Authority as conduit issuer is to provide tax-exemption or tax credits related to the bonds or to otherwise provide the borrower access to the municipal bond market. As a conduit issuer, the Authority is only obligated to make payments on the bonds to the extent it receives funds from the borrower. The Authority serving as conduit issuer does not have any financial liability or obligation to make certain payment on the bonds, does not have any continuing disclosure requirements on the bonds, does not have any regulatory requirements, or any ongoing monitoring requirements or responsibilities.

#### **A. NO PECUNIARY LIABILITY TO THE AUTHORITY**

Per the 2015 Indenture and the 2015 Loan Agreement, neither the Bonds nor the interest on the Bonds nor any obligation or agreement of the Authority under this Indenture or the other bond documents shall be construed to constitute an indebtedness of the Authority within the meaning of any constitutional or statutory provision. The bonds shall constitute special limited obligations of the Authority, shall be without recourse to the Authority, shall not constitute general obligations of the Authority, shall not constitute a pledge of or involve the faith and credit or the taxing power of the Authority, and shall not constitute a debt of the Authority. No instruments or actions requested by the Trustee shall be deemed to create or give rise to a general obligation of the Authority, a debt of the Authority or a pledge of the

faith and credit of the Authority. Per the 2015 Indenture, each and every covenant made in the 2015 Indenture is predicated upon the condition that the Authority shall not have any pecuniary liability for the (i) payment of the principal, redemption price, including any premium, purchase price or interest on the Bonds, or (ii) performance of any pledge, mortgage, obligation or agreement created by or arising out of this Indenture or the issuance of the Bonds. Additionally, the Authority shall have no liability or obligation for the payment of any costs of issuance.

Per the 2015 Loan Agreement between the Authority and the Borrower, Authority directed the Borrower to make interest and principal payments directly to the Bank Holder, BB&T.

## **B. REPORTING REQUIREMENTS**

As conduit issuer, the Authority does not have any reporting or continuing disclosure requirements with respect to the ABAG FAN 2019 Reissuance Bonds.

Per the Continuing Covenants Agreement (Series 2005 Bonds) dated as of December 2, 2015, between IDA and BB&T, the Borrower has reporting requirements directly to BB&T. These reporting requirements consist of quarterly and annual financial statement reporting and notices in the event of default. These financial statements and reports are delivered directly to BB&T without public disclosure on EMMA.

## **V. CONCLUSION**

In this Due Diligence Report, Sperry has reviewed documents including:

- IDA's Conduit Borrower Application to ABAG FAN and attachments thereto, including:
  - Financial statements for the fiscal years ended September 28, 2018, September 29, 2017, September 30, 2016, and September 25, 2015, along with the unaudited interim financial statements for the first half of FY2019;
  - Draft TEFRA notice; and
  - Draft TEFRA Resolution of the Board of Supervisors of San Diego County;
- Bond documents, including the Loan Agreement, Indenture, and Continuing Covenants Agreement, for the ABAG FAN Series 2005 Bonds and ABAG FAN Series 2015 Reissuance Bonds; and
- Draft documents for the ABAG FAN 2019 Reissuance Bonds including the draft ABAG FAN Bond Resolution and Supplemental Trust Agreement and Supplemental Loan Agreement.

The proposed ABAG FAN 2019 Reissuance Bonds will amend and supplement the 2015 Indenture and 2015 Loan Agreement. BB&T, as owner of all the outstanding bonds, has granted its consent and approval to execution and delivery of the 2019 Supplement per the draft bond documents. The proposed reissuance is unrated. The 2019 Supplement extends the Bank Holder Rate Period end date from January 5, 2026, to October 1, 2029, and revises the formula for determining the monthly interest rate on the Bonds through the new Bank Holder Rate Period.

This Due Diligence Report identifies various risks that should be considered by the Authority if the Authority is to approve the proposed reissuance transaction. The Borrower's operations and revenues are closely tied to the U.S. federal government, and therefore is subject to certain risks related to government funding and operations in order to generate revenue and collect receivables. Historically, IDA has maintained a positive change in net assets since 2016. IDA's operating revenues have increased annually between 1.7% to 5.3%. IDA's total cash and investments have increased annually since FYE 2015. As of FYE 2018, total cash and investments were \$227.4 million, up 4% from the year prior at \$218.8 million as of FYE 2017. Net contract receivables as of FYE 2018 were \$27.0 million, a 12% percent increase versus FYE 2017 net contract receivables balance of \$24.2 million. The increased leverage anticipated with the proposed issuance through Industrial Development Authority of the City of Alexandria, Virginia of up to \$249.4 million in new money revenue bonds on behalf of IDA for the construction of its new headquarters in Virginia may constitute a significant risk to the Borrower's ability to make debt service payments on its outstanding debt

With respect to the Authority's responsibilities as Issuer on the bonds, the Authority has no financial liability, no ongoing continuing disclosure requirements, no ongoing regulatory requirements, and no ongoing monitoring responsibilities.

Sperry was not provided with, and therefore was unable to review, certain non-public information on the Borrower, including information relating to the Borrower's current client contracts. Sperry was not provided with the swap agreements, such as the counterparty and terms of the swap agreements. Sperry was also unable to review any documents related to the Borrower's other outstanding debt issuances or the proposed 2019 issuance of \$249.4 million in revenue bonds through Industrial Development Authority of the City of Alexandria, Virginia.

## **VI. DISCLAIMER**

Sperry Capital has not independently verified any of the data contained in the 2019 Supplement or conducted a detailed investigation of the affairs of the Borrower to determine the accuracy or completeness of its financial statements or in its application to the Authority.

**ASSOCIATION OF BAY AREA GOVERNMENTS  
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

**(INSTITUTE FOR DEFENSE ANALYSES – REISSUANCE)**

**RESOLUTION AUTHORIZING THE REISSUANCE OF NOT TO EXCEED \$10,750,000  
AGGREGATE PRINCIPAL AMOUNT OF VARIABLE RATE REVENUE BONDS  
(INSTITUTE FOR DEFENSE ANALYSES), SERIES 2005, APPROVING DOCUMENTS  
RELATING TO THE TERMS, CONDITIONS AND REISSUANCE OF THE BONDS,  
AND OTHER MATTERS RELATING THERETO**

**RESOLUTION NO. 2019-001**

RESOLVED, by the Executive Committee of the Board of Directors of the ABAG Finance Authority for Nonprofit Corporations (the "Authority") as follows:

WHEREAS, pursuant to the provisions of the Joint Powers Act, comprising Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (commencing with Section 6500) (the "JPA Law"), certain California cities and counties have entered into a joint exercise of powers agreement, dated as of April 1, 1990 and revised as of September 18, 1990 and June 9, 1992 (the "Agreement") pursuant to which the Authority was organized; and

WHEREAS, the Agreement was entered into in order to enable the Authority to assist nonprofit corporations and other entities to obtain financing and refinancing for projects and purposes serving the public interest; and

WHEREAS, the Authority is authorized to issue bonds, notes or other evidences of indebtedness, or certificates of participation in leases or other agreements to finance or refinance facilities owned and/or leased and operated by organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), which are determined by the Authority to satisfy the criteria set forth in its ABAG Finance Authority for Nonprofit Corporations Guidelines for Issuance (the "Eligible Organizations"); and

WHEREAS, pursuant to the provisions of the JPA Law and the Agreement, the Authority may, at its option, issue bonds and enter into a loan agreement with the Eligible Organizations; and

WHEREAS, at the request of the Institute for Defense Analyses, a 501(c)(3) nonprofit corporation (the "Borrower"), an Eligible Organization, the Authority previously issued its ABAG Finance Authority for Nonprofit Corporations Variable Rate Revenue Bonds (Institute for Defense Analyses Project) Series 2005 in the original aggregate principal amount of \$11,945,000 (the "Original Bonds") for the purpose of financing the renovation, construction and improvement and equipping of certain communications research facilities operating under the name of the Institute for Defense Analyses' Center

**ASSOCIATION OF BAY AREA GOVERNMENTS  
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

Resolution No. 2019-001

for Communications Research - La Jolla, located in San Diego, California, pursuant to a Trust Indenture dated as of September 1, 2005, by and between the Authority and Wells Fargo Bank, N.A., predecessor to Wells Fargo Bank, National Association, as trustee (the "Trustee"), as amended and supplemented by that certain First Supplemental Indenture, dated as of July 1, 2008, between the Authority and the Trustee (collectively, the "Original Indenture");

WHEREAS, the proceeds of the Original Bonds were loaned by the Authority to the Borrower pursuant to a Loan Agreement dated as of September 1, 2005, as amended and supplemented by that certain First Supplement to Loan Agreement, dated as of July 1, 2008, each between the Authority and the Borrower (collectively, the "Original Loan Agreement"), pursuant to which the Borrower agreed to pay the principal and purchase price of and premium, if any, and interest on the Original Bonds as the same became due and payable; and

WHEREAS, on December 2, 2015 the Authority and the Trustee entered into an Amended and Restated Trust Indenture (the "Indenture") and the Authority and the Borrower entered into an Amended and Restated Loan Agreement (the "Loan Agreement") in order to provide for BB&T Community Holdings Co. (the "Bank Holder") to purchase the Original Bonds, as amended and restated and bearing interest at the Alternate Rate (the "Bonds"); and

WHEREAS, the Borrower now desires to amend and supplement the Indenture and the Loan Agreement pursuant to a Supplemental Trust Indenture and Supplemental Loan Agreement, by and among the Authority, the Borrower and the Trustee in order to extend the Bank Holder Rate Period (as such term is defined in the Supplement) and amend the interest rate at which the Bonds bear interest during the Bank Holder Rate Period, which amendments we have been advised by bond counsel will result in the reissuance of the Bonds for federal tax purposes; and

WHEREAS, the legal obligations of the Authority in connection with the reissuance of the Bonds will be limited to revenues received by the Authority from the Borrower pursuant to the Loan Agreement, and no public funds will be expended in connection with the reissuance of the Bonds; and

WHEREAS, the maximum aggregate principal amount of the Bonds to be reissued is \$10,750,000; and

WHEREAS, there have been filed with the Secretary of the Authority the following:

(1) A proposed form of the Supplemental Trust Indenture and Supplemental Loan Agreement (the "Supplement") to be entered into among the Authority, the Borrower and the Trustee, providing for the authorization, amendment and reissuance of the Bonds;

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(2) A proposed form of Allonge (the “Allonge to Promissory Note”) to the Borrower’s Amended and Restated Promissory Note dated December 2, 2015, to be entered into by the Borrower and authorized by the Authority, the Trustee and the Bond Holder, giving effect to the amendments contained in the Supplement; and

(3) A proposed form of Allonge to Bond (the “Allonge to Bond”) to be executed by the Authority, and acknowledged to by the Trustee and the Bond Holder, giving effect to the amendments contained in the Supplement;

NOW, THEREFORE, BE IT RESOLVED, by the Executive Committee of the Board of Directors of the ABAG Finance Authority for Nonprofit Corporations, as follows:

Section 1. The form, terms and provisions of the Supplement, in the form on file with the Secretary of the Authority, are hereby approved, and the Chair, the President, the Executive Director, the Chief Financial Officer or the Secretary of the Authority, or a designee of any of such officers (the “Authorized Officers”), are hereby authorized and empowered to execute and deliver the Supplement with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by any Authorized Officer, with the advice of bond counsel and counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. The form, terms and provisions of the Allonge, in the form on file with the Secretary of the Authority are hereby approved, and any Authorized Officer, or a designee of such officers, are hereby authorized and empowered to execute and deliver the Allonge with such and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by any Authorized Officer, with the advice of bond counsel and counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 3. The form, terms and provisions of the Allonge to Bond, in the form on file with the Secretary of the Authority are hereby approved, and any Authorized Officer, or a designee of such officers, are hereby authorized and empowered to execute and deliver the Allonge to Bond with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by any Authorized Officer, with the advice of bond counsel and counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 4. The Authority approves the reissuance of an aggregate principal amount of not to exceed \$10,750,000 of Bonds, in accordance with the terms of and to be secured in accordance with the Indenture, as amended and supplemented by the Supplement. Payment of the principal of, any redemption premium, and the interest on

**ASSOCIATION OF BAY AREA GOVERNMENTS  
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

Resolution No. 2019-001

and purchase price of, the Bonds shall be made solely from the revenues to be received by the Trustee and the Authority pursuant to the Loan Agreement, as amended and supplemented by the Supplement, and the Bonds shall not otherwise be deemed to constitute a debt or liability of the Authority, nor shall the Bonds be deemed to constitute a debt or liability of any member of the Authority.

Section 5. All actions heretofore taken by the officers and agents of the Authority with respect to the reissuance of the Bonds are hereby approved, confirmed and ratified, and the officers of the Authority and their authorized deputies and agents are hereby authorized and directed, jointly and severally, to do any and all things necessary to reissue the Bonds and to execute and deliver any and all certificates and other documents in addition to those enumerated herein, and any offering material, which they or bond counsel may deem necessary or advisable in order to consummate the reissuance and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution.

Section 6. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this 6th day of June 2019.

ABAG FINANCE AUTHORITY FOR  
NONPROFIT CORPORATIONS

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Charles Lomeli  
Chair of the Executive Committee

The above resolution was adopted by the ABAG Finance Authority for Nonprofit Corporations Executive Committee at a properly noticed meeting held on June 6, 2019 in San Francisco, California at which a quorum was present and acting throughout.

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Frederick Castro  
Secretary



**ASSOCIATION OF BAY AREA GOVERNMENTS  
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

Resolution No. 2019-001

I, the undersigned, the duly appointed and qualified Secretary of the ABAG Finance Authority For Nonprofit Corporations, do hereby certify that the foregoing Resolution was duly adopted by the Board of Directors of said Authority at a duly called regular meeting of the Executive Committee of the Board of Directors of said Authority held in accordance with law on June 6, 2019.

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Frederick Castro  
Secretary  
ABAG Finance Authority for Nonprofit  
Corporations Executive Committee

# THE DAILY TRANSCRIPT

This space for filing stamp only

2652 4TH AVE 2ND FL, SAN DIEGO, CA 92103  
Telephone (619) 232-3486 / Fax (619) 270-2503

JULIE WUNDERLICH  
JONES HALL  
475 SANSOME STREET, STE. 1700  
SAN FRANCISCO, CA - 94111

## PROOF OF PUBLICATION

(2015.5 C.C.P.)

State of California )  
County of SAN DIEGO ) ss

Notice Type: HRG - NOTICE OF HEARING

Ad Description:

PH-ABAG FAN IDA

I am a citizen of the United States and a resident of the State of California; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the principal clerk of the printer and publisher of THE DAILY TRANSCRIPT, a newspaper published in the English language in the City of SAN DIEGO, County of SAN DIEGO and adjudged a newspaper of general circulation as defined by the laws of the State of California by the Superior Court of the County of SAN DIEGO, State of California, under date of 05/13/2003, Case No. GIC808715. That the notice, of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

05/06/2019

Executed on: 05/06/2019  
At Los Angeles, California

I certify (or declare) under penalty of perjury that the foregoing is true and correct.



Signature



Email

SD #: 3249884

### NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that at 9:00 a.m. or shortly thereafter on May 21, 2019, at the County of San Diego Board of Supervisors, North Chamber, County Administration Center, 1600 Pacific Highway, Room 310, San Diego, California, 92101, the Board of Supervisors of the County of San Diego (the "County") will conduct a public hearing as required by Section 6586.5 of the California Government Code and Section 147(f) of the Internal Revenue Code of 1986 (the "Public Hearing") with respect to the proposed reissuance by the ABAG Finance Authority For Nonprofit Corporations (the "Authority") of its revenue bonds in one or more series in an amount not to exceed \$10,750,000 (the "Bonds"). The proceeds of the Bonds will be used to refinance the demolition, renovation, construction, improvement and equipping of certain communications research facilities, operating under the name of the Institute for Defense Analyses' Center for Communications Research-La Jolla (the "Project") and other costs related to the sale and issuance of the Bonds.

The Project is located at 4320 Westerra Court, in the City of San Diego. The Project will be owned and operated by the Institute for Defense Analyses (the "Borrower"), an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

The Bonds will be paid entirely from payments by the Borrower under a loan agreement between the Borrower and the Authority. Neither the full faith and credit nor the taxing power, if any, of the County, the Authority and its members, the State of California (the "State") or any other political corporation, subdivision or agency of the State is pledged to the payment of the principal of, premium, if any, or interest with respect to the Bonds, nor shall the County, the Authority and its members, the State, or any other political corporation, subdivision or agency of the State be liable or obligated to pay the principal of, premium, if any, or interest with respect to the Bonds.

Interested persons wishing to express their views on the issuance of the Bonds or on the nature and location of the Project may attend the public hearing or, prior to the time of the hearing, submit written comments to the County, c/o Andrew Potter at the address indicated above.

Dated: May 6, 2019.  
COUNTY OF SAN DIEGO, CALIFORNIA  
By: /s/ Andrew Potter  
Clerk of the Board of Supervisors  
5/6/19

SD-3249884#

**A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE  
COUNTY OF SAN DIEGO APPROVING THE REISSUANCE AND  
REFUNDING OF REVENUE BONDS BY THE ABAG FINANCE  
AUTHORITY FOR NONPROFIT CORPORATIONS IN AN  
AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$10,750,000  
FOR THE PURPOSE OF REFINANCING THE DEMOLITION,  
RENOVATION, CONSTRUCTION, IMPROVEMENT AND EQUIPPING  
OF CERTAIN COMMUNICATIONS RESEARCH FACILITIES AND  
CERTAIN OTHER MATTERS RELATING THERETO**

**WHEREAS**, the ABAG Finance Authority for Nonprofit Corporations, a joint exercise of powers authority consisting of California public agencies, which was created to assist nonprofit corporations and other entities to obtain financing for projects and purposes serving the public interest (the "Authority") heretofore issued its Variable Rate Revenue Bonds (Institute for Defense Analyses) Series 2005, in an original principal amount of \$11,945,000 (the "Original Bonds"), and loaned the proceeds thereof to the Institute for Defense Analyses, an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Borrower"), to enable the Borrower to finance the costs of the demolition, renovation, construction, improvement and equipping of certain communications research facilities located within the County of San Diego (the "County") and operating under the name of the Institute for Defense Analyses Center for Communications Research-La Jolla (the "Project") to be owned and operated by the Borrower; and

**WHEREAS**, the Borrower has requested that the Authority reissue and refund the Original Bonds and, in order for the interest on the reissued bonds (the "Reissued Bonds") to be tax-exempt, Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), requires that an "applicable elected representative" of the governmental unit, the geographic jurisdiction of which contains the site of facilities to be financed with the proceeds of the Reissued Bonds, hold a public hearing on the issuance of the Reissued Bonds and approve the issuance of the Reissued Bonds following such hearing; and

**WHEREAS**, the Authority has requested that the Board of Supervisors of the County (the "Board") approve the issuance of the Reissued Bonds by the Authority in order to satisfy the public approval requirement of Section 147(f) of the Code; and

**WHEREAS**, the Authority has determined that the Board is an "applicable elected representative" for purposes of holding such hearing; and

**WHEREAS**, notice of such public hearing has been duly given as required by the Code, and this Board has heretofore held such public hearing at which all interested persons were given an opportunity to be heard on all matters relative to the financing or refinancing of the Project and the Authority's issuance of the Bonds therefor; and

**WHEREAS**, it is in the public interest and for the public benefit that the Board approve the issuance of the Reissued Bonds by the Authority for the aforesaid purposes;

**NOW, THEREFORE, BE IT RESOLVED AND ORDERED** by the Board of Supervisors of the County of San Diego, State of California, as follows:

Section 1. On information and belief, the foregoing resolutions are true and correct.

Section 2. The Board hereby approves the reissuance and refunding of the Original Bonds and the issuance of the Reissued Bonds by the Authority in an amount not to exceed \$10,750,000. It is the purpose and intent of the Board that this resolution constitute approval of the issuance of the Reissued Bonds by the Authority for the purposes of (a) Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with said Section 147(f), and (b) Section 4 of the Agreement.

Section 3. The issuance of the Reissued Bonds shall be subject to the approval of the Authority of all financing documents relating thereto to which the Authority is a party. The County shall have no responsibility or liability whatsoever with respect to the Reissued Bonds.

Section 4. The adoption of this Resolution shall not obligate the County or any department thereof to (i) provide any financing with respect to the Project; (ii) approve any application or request for or take any other action in connection with any planning approval, permit or other action necessary with respect to the Project; (iii) make any contribution or advance any funds whatsoever to the Authority or the Borrower; or (iv) take any further action with respect to the Authority or its membership therein.

Section 5. The officers of the County are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution and the financing transaction approved hereby.

Section 6. This resolution shall take effect immediately upon its adoption.

APPROVED AS TO FORM AND LEGALITY  
THOMAS E. MONTGOMERY, COUNTY COUNSEL  
By: RACHEL H. WITT, CHIEF DEPUTY

ON MOTION of Supervisor Gaspar, seconded by Supervisor Fletcher, the above Resolution was passed and adopted by the Board of Supervisors, County of San Diego, State of California, on this 21st day of May 2019, by the following vote:

AYES: Cox, Jacob, Gaspar, Fletcher, Desmond

- - -

STATE OF CALIFORNIA)  
County of San Diego)<sup>SS</sup>

I hereby certify that the foregoing is a full, true and correct copy of the Original Resolution entered in the Minutes of the Board of Supervisors.

ANDREW POTTER  
Clerk of the Board of Supervisors

By: \_\_\_\_\_

Teresa Zurita, Deputy



Resolution No. 19-062  
Meeting Date: 05/21/19 (14)



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 19-0659      **Version:** 1      **Name:**

**Type:** Report      **Status:** Committee Approval

**File created:** 5/29/2019      **In control:** ABAG FAN Executive Committee

**On agenda:** 6/6/2019      **Final action:**

**Title:** Report on ABAG FAN Successor Agency and Authorization to Conduct Initial Transactions Review

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [Item 06 Summary Successor Agency.pdf](#)  
[Item 06 Attachment Nixon Peabody Successor Agency.pdf](#)

Date	Ver.	Action By	Action	Result
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Report on ABAG FAN Successor Agency and Authorization to Conduct Initial Transactions Review

Brian Mayhew

Approval

# **ABAG Finance Authority for Nonprofit Corporations**

## **Executive Committee**

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**June 6, 2019**

**Agenda Item 6**

### **Report on ABAG FAN Successor Agency and Authorization to Conduct Initial Transactions Review**

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**Subject:** Report on ABAG FAN Successor Agency and Authorization to Conduct Initial Transactions Review

**Background:** At its meeting on April 4, 2019, staff reported on the possible appointment of a successor agency to ABAG Finance Authority for Nonprofit Corporations (ABAG FAN). Staff is currently exploring the option of appointing a successor agency for the remaining outstanding bond issues. There are approximately 115 transactions that require legal review and research in order to determine whether a successor agency can legally be appointed.

ABAG FAN Bond Counsel, Nixon Peabody, submitted an initial plan detailing the approach and costs (attachment). Nixon Peabody proposes with an initial review (Step 1) of ten sample selected transactions to determine whether there is legal barrier to appoint a successor. If the initial ten transactions have no limitations prohibiting the appointment of a successor agency, Nixon Peabody will continue to review the remaining transactions (Step 2). Nixon Peabody will provide the results of the review and recommendations after the initial review of all the sample transactions.

The cost of the initial review (Step 1) of the ten transactions would be \$30,000. If Nixon Peabody proceeds to review the remaining transactions (Step 2), an additional cost of \$315,000 is required. The total cost for this scope of work has been capped at \$400,000. The reserve funds will be used to pay for the expenses associated with the review and analysis on the election on a successor agency. While Nixon Peabody believes a successor agency maybe feasible, until the initial review is completed, we are still unclear on how complex appointing a successor agency might be.

Step 1 will be covered under Nixon's existing contract. If Nixon Peabody is to proceed to Step 2 of the review, a budget amendment will be requested.

**Issues:** None.

**ABAG Finance Authority for Nonprofit Corporations**

**Executive Committee**

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**June 6, 2019**

**Agenda Item 6**

**Report on ABAG FAN Successor Agency and Authorization to Conduct Initial  
Transactions Review**

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**Recommended Action:** The ABAG FAN Executive Committee is requested to authorize the Executive Director of the Metropolitan Transportation Commission, or her designee, to direct Nixon Peabody to conduct an initial review of ABAG FAN transactions to determine the feasibility of appointing a successor agency to ABAG FAN, in the amount of \$30,000.

**Attachments:** Nixon Peabody memo on Successor Agency for ABAG FAN

**Reviewed:**



Therese W. McMillan





## MEMORANDUM

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<b>TO:</b> Brian Mayhew	<b>FROM:</b> Rudy Salo and Angelica Valencia
<b>RE:</b> Successor Agency for ABAG FAN	<b>DATE:</b> May 23, 2019

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You asked us to prepare a description of our plan to determine whether ABAG Finance Authority for Nonprofit Corporations (the “Authority”) can appoint a successor agency for all of its outstanding bonds. We believe it may be feasible to appoint a successor agency, however, in order to determine the best solution for the Authority and the complexity of the endeavor, we must review and analyze the current outstanding bond transactions. Below is a description of the plan and cost estimate.

### **I. Document Review Process**

The Authority has approximately 115 outstanding transactions in several different industries, including, but not limited to, education, housing, health care, community facilities districts and other 501(c)(3) organizations. In order to determine whether the Authority can appoint a successor agency, and the best procedure to accomplish this, we must review the transaction documents. We propose breaking up the review process into the following steps.

First, we will select 10 transactions to review, which will include a review of community facilities districts, private placement and public offering transactions. Performing an initial review will assist us in confirming whether the documents limit or prohibit the appointment of a successor agency or whether there is a process in place. We will focus on the primary bond documents, generally, the indenture and loan agreement, however, the documents that are reviewed will depend on the transaction. Additionally, reviewing transactions from each industry will hopefully provide us with some data on whether the documents are similar across industries.

The results of the initial review will dictate what happens as part of our second step. If in the initial review, the 10 transactions prohibit the appointment, we will have discussions with the Authority regarding other possible solutions. If there is nothing in the initial review that prohibit a successor agency or if the transactions are inconsistent, after a discussion with the Authority and with its permission, we will proceed to review the remaining transactions.

After completing the review of all 115 transactions, we will discuss with the Authority the best path forward, whether that is obtaining consent from bondholders, an amendment to the documents or something else. Additionally, depending on the results, we might have to approach each transaction slightly differently.

## **II. Cost**

We are proposing a blended rate of \$600 per hour. We estimate that the review of the transaction documents will be approximately 5 hours per transaction. For step 1, that would be approximately \$30,000. If we proceed to step 2 and review all of the remaining transactions, that would be \$315,000 for step 2. Expecting possible differences in the documents, we are proposing a cap of \$400,000 for the review and analysis.

The cost for the implementation depends on the results of the review. At this moment, it is not clear how complex the implementation of a successor agency might be.