

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

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

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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:

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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