

MINUTES

GARDEN GROVE PUBLIC FINANCE AUTHORITY

A special meeting of the Garden Grove Public Finance Authority was called to order in the Council Chamber of the Community Meeting Center, 11300 Stanford Avenue, on Tuesday, February 26, 2002, at 7:07 p.m.

ROLL CALL: PRESENT: (5) CHAIRMAN BROADWATER, MEMBERS DALTON, LEYES, ROSEN, TRAN

ABSENT: (0) NONE

ALSO PRESENT: Executive Director, George Tindall; Assistant Director/Community Development Director, Matthew Fertal; Treasurer, Anthony Andrade; Legal Counsel, John Shaw; Special Counsel, Kurt Yeager; and Deputy Secretary, Priscilla Stierstorfer.

ORAL COMMUNICATIONS – PUBLIC

There were no oral communications from the public.

RECESS

At 7:45 p.m., the Chairman declared a recess.

RECONVENE

At 8:52 p.m., the meeting was reconvened with Chairman Broadwater and all Members in attendance.

CONSIDERATION OF ISSUANCE AND SALE OF CERTIFICATES OF PARTICIPATION (F: P-60.1) (XR: 60.1)

Staff report dated February 26, 2002, was introduced, noting that Certificates of Participation are a financing vehicle used by municipalities to raise capital for public improvements, similar to a municipal bond issue.

The Executive Director commented that the City is seeking additional capital to finance the acquisition and construction of parking facilities and certain other capital facilities and equipment to assist redevelopment activities of the Agency for Community Development. The Agency's activities are primarily targeted for future development along Harbor Boulevard.

Member Dalton inquired when the two hotels would be built. The Assistant Director commented that the hotels have been approved for construction along Harbor Boulevard. The developer requested a six-month extension and has elected to wait until late summer or early fall to begin construction.

Member Dalton inquired whether the City had any agreements with the existing hotels for the parking area. The Assistant Director commented that the City has worked with the hotels to provide additional parking. Since the Marriott has not yet opened, there has not been the urgency to provide additional parking.

Member Dalton commented that he thought there would be enough parking when the hotels were approved. The Assistant Director commented that the City did not anticipate the success of large functions at the hotels and the success of the restaurants.

Member Dalton inquired as to what the City would lose if the City defaults on the loan. The Treasurer commented that the first payment will be due in March 2005. The Agency cash flow will increase by 2005 and the Agency will then have the income to make the payments. In the event that there is a default, the way the City is funded now there would be other options to fund this commitment. He noted that it would be an unlikely scenario, with normal redevelopment, that the Agency would not be able to make the payments.

Member Rosen requested further explanation on building the hotels and the parking area. The Treasurer commented that the Redevelopment Agency has a number of commitments every year. Some of those commitments will end before March 2005, and the tax increment growth is increasing with the hotels, which will alleviate the stress of the \$1.5 million commitment. With the decline in other commitments and the increase in revenue, it appears that the Agency will have no difficulty making the payments in 2005.

Member Rosen questioned why the bonds could not be sold through the Redevelopment Agency. Special Counsel commented that the future growth of Agency revenue is not sufficient for a credit rating. The City's General Fund will allow the City to update the bond insurance.

Member Rosen inquired whether it would be a City Council decision on how the payments will be made. The Executive Director commented that as part of this agreement, the Agency would make the payments. Using the City's General Fund will be a worse case scenario.

Member Rosen was unsure whether the City should proceed with the parking area. Special Counsel commented that the bond issue raises money for capital projects. The restrictions are to keep the bonds tax exempt.

Member Rosen questioned whether the Disposition and Development Agreement with McWhinney Enterprises would be amended. The Assistant Director noted that it would.

Member Leyes commented that one other variable is to do a fourth restaurant, which will impact parking. He noted that the complexity of this deal is not meant to confuse—it is meant to protect. The Agency has a system in place that shows adequate growth to make the bond payment. There is also a goal to expand the revenue base. He indicated that expansion is necessary to continue the type of development that the City has been doing. The City has a great bond rating with great rates.

Chairman Broadwater commented that Garden Grove has taken risks in the last ten years that have turned the city around. He noted that this is another good time to take a risk. The hotels are booming and the bed tax is higher than anticipated. He commented that the City has to take a look at Harbor Boulevard.

RESOLUTION NO. 5

It was moved by Chairman Broadwater, seconded by Member Leyes, and carried by unanimous vote, that full reading of Resolution No. 5 be waived, and said Resolution entitled A RESOLUTION OF THE BOARD OF DIRECTORS OF THE GARDEN GROVE PUBLIC FINANCING AUTHORITY APPROVING A LEASE/PURCHASE AGREEMENT WITH THE CITY OF GARDEN GROVE AND CERTAIN OTHER DOCUMENTS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THE CERTIFICATES OF PARTICIPATION, SERIES A OF 2002 (2002 FINANCING PROJECT) IN A PRINCIPAL AMOUNT NOT TO EXCEED \$23,000,000, be and hereby is adopted.

Member Rosen commented that approving these bonds will have no impact if we proceed with the two hotels and the purchase of any property for the potential use as a parking lot. The operators of the two hotels will have to come back with modifications to their agreements. He commented that the General Fund is his concern, although it would be farfetched that the General Fund will have to be used. If the two hotels are built as anticipated, the figures that have been provided by the operators suggest that the revenue to the City's hotel tax and tax increments will be sufficient to make the bond payment.

Member Tran expressed his support, commenting that he reviewed all the documents and is satisfied that there are mechanisms in place so the City will not have to use the General Fund.

Member Dalton commented that he has concerns whether the two hotels will be a reality. They should be in a hurry to build them, not ask for delays. He indicated that he is still concerned regarding who will pay for the parking area. He would like the negotiations with the hotels to be finalized prior to the bond issue.

ADJOURNMENT

At 9:55 p.m., the meeting was declared adjourned.

PRISCILLA STIERSTORFER
DEPUTY SECRETARY

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