

CITY OF CULVER CITY FINANCING OPTIONS

Presented by:



November 10, 2021

Types of Municipal Bonds

	Higher Credit Quality				Lower Credit Quality
Security Type	General Obligation Bonds	Enterprise Revenue Bonds	Lease Revenue Bonds / COPs	Tax Allocation Bonds	Land-Secured Bonds
Revenue Pledge	Secured by property taxes (cities, schools, special districts) or general fund (state).	Net revenue pledge with rate covenant (water or sewer services, tolls, parking fees, sales tax, etc.).	Lease payments for use of asset (typically essential property is leased back from third party); there is a general fund appropriation.	Tax increment revenue from increased assessed valuation in defined redevelopment project area.	Special tax or assessment on property. Bonds are backed by property in defined area.
Vote Required?	Yes. In California there is a 2/3 vote for local bonds; school districts have the option for 55% approval. California state bond measures require a simple majority vote for passage.	No public vote required. Approval by agency board is required. Sales tax may require registered voter election.	No public vote required. Approval by agency board is required.	No public vote required. Approval by agency board is required. Public process required to establish project area.	Yes. In California a 2/3 vote by property owners for Community Facilities Districts (CFDs) and simple majority for assessment districts (ADs).

General Obligation Bonds

- **Overview**
 - Annual tax levied on property tax roll in proportion to total assessed property values
 - 2/3rds voter approval or 55% for certain school G.O. bonds (Proposition 39)
 - Voters approve total bond amount and use of proceeds, not tax rate or annual payment
- **Advantages**
 - Generates new revenue source to repay debt
 - Broad-based tax support for public improvements
 - Lowest interest cost due to ad valorem security and unlimited tax pledge
- **Disadvantages**
 - Time, expense, and uncertain outcome of election
 - Property tax increase
- **When Used?**
 - Typically for projects with broad political support – varies by community
- **Maximum Issuance**
 - The primary constraint to the size of the issuance occurs when the tax levy becomes too large to gain voter approval

Timeline for Ballot Measure in June 2022

Task	Responsible Party	Date
City Council Meeting - Approve “Exploring” Feasibility of a GO Bond	City	August 2021
Prepare and Conduct Survey	Consultant	October 2021
City Council Meeting – Survey Results Presentation	Consultant	October 2021
Initiate Public Information Program, Speaking with Stakeholders and Community Groups to Discuss Proposed Tax Measure	City	Ongoing
Finalize Capital and Financing Plan	Consultant	November 2021
Prepare Resolution for Calling Election, Including Ballot Language, Project List, and Tax Rate Statement to Reflect Community Feedback	Consultant/Attorneys	December 2021
City Council Meeting – Introduction/First Reading of Revenue Measure Ordinance	City	January 2022
City Council Meeting – Second Reading/Adoption of Revenue Measure Ordinance and Approval of Resolution Calling the Election	City	February 2022
Deadline to Submit Ballot Measure to Registrar of Voters	City	March 2022
Prepare and Submit Impartial Analysis of Ballot Measure	Consultant/City	March 2022
Form Campaign Committee and Conduct Campaign Kick-Off Meeting	Campaign Committee	March 2022
Run Campaign	Campaign Committee	March – June 2022
Election Day		June 7, 2022

General Fund Lease Financings

- **Overview**
 - Lease-leaseback structure with third-party entity
 - Issuer covenants to appropriate annual lease payments from general fund
 - May be structured as lease revenue bonds or “certificates of participation” (“COPs”)
 - Not subject to constitutional debt limits
- **Advantages**
 - No voter approval required
 - Fairly quick financing process
- **Disadvantages**
 - Requires leasable assets of value \geq borrowing amount
 - Competes with other general fund priorities
- **When Used?**
 - For projects of general community benefit
 - To indirectly leverage a general fund revenue stream
 - To provide “credit enhancement” for less credit-worthy borrowing or for desired “risk-sharing”
- **Maximum Issuance**
 - Size of issuance should be below the value of the unencumbered assets that are available to secure the lease (in order to estimate Fair Rental Value)
 - City is limited by available assets (~\$20 million based on initial review)

Questions?