



City of Culver City

Staff Report Details (With Text)

File #: 20-22 **Version:** 1 **Name:** Refunding 2009 Wastewater Revenue Bond
Type: Minute Order **Status:** Consent Agenda
File created: 6/28/2019 **In control:** City Council Meeting Agenda
On agenda: 7/8/2019 **Final action:**
Title: CC - Approval of Letter of Engagement with Stifel Nicolaus, Underwriter, and a Professional Services Agreement with Stradling Yocca Carlson & Rauth, Bond/Disclosure Counsel, for Services Necessary to (1) Complete the Refinancing of the City of Culver City Wastewater Revenue Bonds, Series 2009 for Interest Rate Savings; and (2) Complete the Issuance of Wastewater Revenue Bonds for \$12 Million of Wastewater Projects.

Sponsors:

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

CC - Approval of Letter of Engagement with Stifel Nicolaus, Underwriter, and a Professional Services Agreement with Stradling Yocca Carlson & Rauth, Bond/Disclosure Counsel, for Services Necessary to (1) Complete the Refinancing of the City of Culver City Wastewater Revenue Bonds, Series 2009 for Interest Rate Savings; and (2) Complete the Issuance of Wastewater Revenue Bonds for \$12 Million of Wastewater Projects.

Meeting Date: July 8, 2019

Contact Person/Dept: Kambiz Borhani/Finance Department
Phone Number: (310) 253-5865

Fiscal Impact: Yes No **General Fund:** Yes No

Public Hearing: **Action Item:** **Attachments:**

Commission Action Required: Yes No **Date:**

Public Notification: (E-Mail) Meetings and Agendas - City Council (07/02/19);

Department Approval: Onyx Jones, Chief Financial Officer (06/28/19)

RECOMMENDATION

Staff recommends the City Council approve letter of engagement with Stifel Nicolaus ("Stifel"), Underwriter, and a professional services agreement with Stradling Yocca Carlson & Rauth

("Stradling"), bond/disclosure counsel, for the services necessary to (1) complete the refinancing of the City of Culver City Wastewater Revenue Bonds, Series 2009 for interest rate savings and (2) complete the issuance of wastewater revenue bonds for \$12 million of wastewater projects.

Should Council accept and authorize staff to proceed, the financing team of Stifel and Stradling, and the City's financial advisor, Urban Futures, will proceed with the financing and will return to City Council at a later date for final authorization to issue the bonds.

BACKGROUND

On July 21, 2009, the City of Culver City (the "City") issued \$20.085 million of Wastewater Facilities Refunding Revenue Bonds 2009 Series A (Bank Qualified) (the "2009 Bonds"). The 2009 Bonds were issued to currently refund the City's prior 1999 Series A Wastewater Bonds. Pursuant to the 2009 Indenture, the City makes debt service payments secured by net revenues from the wastewater enterprise system.

The 2009 Bonds have an interest rate ranging from 5.00% to 5.25% and a final maturity of 9/1/2029. The 2009 Bonds are currently outstanding in the amount of \$13.2 million, of which \$12.3 million will remain outstanding after the September 1, 2019 principal payment. The Bonds can be prepaid beginning September 1, 2019 at a redemption price of 100% (no prepayment penalty).

In addition, staff is proposing to issue bonds (the "2019 New Money Bonds") to fund \$12 million of proposed new money projects for the Bankfield Sewer Pump Station as well as a sewer video and lining project. The 2019 New Money Bonds will be secured by net revenues from the wastewater enterprise system.

DISCUSSION

Interest rates are currently at historic lows. Based on recent market conditions, issuing refunding bonds (the "2019 Refunding Bonds") to refinance the outstanding principal of the 2009 Bonds could generate gross debt service savings of approximately \$3.9 million (or about \$390,000 annually). The final savings amount will depend on the market interest rates in effect at the time the 2019 Refunding Bonds are priced, which is anticipated to be in September.

Based on recent market conditions, net present value savings for the 2019 Refunding Bonds would be equal to \$1.9 million (or 16% of the refunded bond amount). Typically, municipal issuers set a minimum net present value savings goal equal to 3% of the refunded bond amount to determine if a refinancing is worthwhile to pursue. The current projected net present value savings of 16% based on recent market conditions exceeds the typical savings goal of 3%.

Request for Proposals

At the request of City staff, Urban Futures, the City's financial advisor, requested proposals from

underwriting and bond/disclosure firms wishing to provide services in connection with the proposed refunding of the 2009 Bonds and the issuance of new money bonds. Bond/Disclosure Counsel Proposals were received by Urban Futures on Monday, June 17th and Underwriter Proposals were received on Tuesday, June 18th. Proposals were received from the following firms:

Underwriters

Bank of America Merrill Lynch
Citi
FTN Financial
Ramirez
RBC
Stifel Nicolaus
Wells Fargo Securities

Bond / Disclosure Counsel Firms

Best, Best & Krieger
Hawkins Delafield & Wood
Jones Hall
Kutack Rock
Orrick, Herrington & Sutcliffe
Quint & Thimmig
Richards Watson Gershon
Stradling Yocca Carlson & Rauth

In developing a response, proposers were asked to provide experience with wastewater revenue bonds, staff assigned to the engagement and a fee proposal for services.

After reviewing the fee proposals and the evaluation of each proposed team, staff recommends the City engage Stifel as underwriter, and Stradling as bond and disclosure counsel. While Stifel and Stradling did not propose the lowest fees, both firms have the best knowledge of the City and wastewater bond experience, and the difference between these firms and the lowest proposals is minimal.

Stifel has worked with the City on 14 bond issuances going back to 1989. In addition, their credit and savings analyses are very thorough and offer good structuring ideas and credit rating strategies for the City. Stradling has extensive wastewater bond experience and prior experience working as underwriter's counsel on the City's tax allocation bond refinancing in 2017.

FISCAL ANALYSIS

Based on recent market conditions, the proposed 2019 Refunding Bonds could generate an estimated total debt service savings of \$3.9 million net of all costs of issuance; equal to \$390,000 annually. The term of the 2019 Refunding Bonds will not exceed the term of the 2009 Bonds being refunded. The source of repayment of the 2019 Refunding Bonds would be limited to net revenues from the wastewater enterprise system.

The 2019 New Money Bonds will generate \$12 million of net proceeds. The source of repayment of the 2019 New Money Bonds would be limited to net revenues from the wastewater enterprise system. Total annual debt service will depend on the structure selected by the City and interest rates at the time of pricing.

ATTACHMENTS

None.

MOTION

That the City Council:

1. Approve a letter of engagement with Stifel Nicolaus as underwriter, and a professional services agreement with Stradling Yocca Carlson & Rauth as bond/disclosure counsel, for services necessary to (1) complete the refinancing of the City of Culver City Wastewater Revenue Bonds, Series 2009 for interest rate savings and (2) complete the issuance of wastewater revenue bonds for \$12 million of wastewater projects;

2. Authorize the City Attorney to review/prepare the necessary documents; and,

3. Authorize the City Manager to execute such documents on behalf of the City.