



City of Culver City

Staff Report

File #: 20-279, Version: 1

Item #: A-8.

CC - Adoption of a Resolution of the City Council of the City of Culver City Authorizing the Issuance of Approximately \$24,000,000 Aggregate Principal Amount of Wastewater Facilities Revenue Bonds, 2019 Series A to Finance and Refinance Costs of the City's Wastewater System, and Approving the Execution and Delivery of Certain Documents in Connection therewith and Certain Other Matters.

Meeting Date: September 23, 2019

Contact Person/Dept: Onyx Jones/Finance

Phone Number: (310) 253-6016

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 (09/17/2019);

Department Approval: Onyx Jones, Chief Financial Officer (09/11/19)
Charles D. Herbertson, Public Works Director/City Engineer (09/12/19)

RECOMMENDATION

Staff recommends the City Council adopt a Resolution authorizing the issuance of Wastewater Facilities Revenue Bonds, 2019 Series A (the "2019 Bonds") to refinance the outstanding \$12.31 million in 2009 Wastewater Facilities Revenues Bonds and finance up to \$12 million for capital improvement costs related to the City's Wastewater System, (see p. 29 of Attachment 5, Preliminary Offering Statement), and approving the execution and delivery of certain documents in connection therewith and certain other matters.

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 \$12.31 million. The 2009 Bonds can be prepaid on any date at a redemption price of 100% (no prepayment penalty). The City is seeking to refinance the outstanding bonds for interest rate savings.

In addition to refinancing the 2009 Bonds, staff is proposing to issue the 2019 Bonds to fund \$12 million of capital improvements to the City's Wastewater System. The 2019 Bonds will be secured by net revenues from the wastewater enterprise system.

DISCUSSION

Since the City's hiring of the financing team in June 2019, municipal interest rates have declined and continue to be at favorable levels. Issuing the 2019 Bonds to refinance the outstanding principal of the 2009 Bonds will generate estimated gross debt service savings of approximately \$4.36 million, and net present value savings of \$2.4 million (or 19% of the refunded bond amount).

The 2019 Bonds will have a final maturity of 9/1/2049. The portion of the 2019 Bonds used to refund the 2009 Bonds will have a final maturity of 9/1/2029 (same as the 2009 Bonds). Based on current market rates, the true interest cost for the 2019 Bonds is estimated to be 2.76%.

The goal of the 2019 Bonds financing is to keep annual debt service payments at a similar level to the 2009 Bonds. Due to low interest rates and a structure based on targeted debt service coverage, the City is able to borrow an additional \$12 million for much needed capital projects with only a slight increase in annual debt service. For FY 2021 through FY 2030, average annual debt service is expected to be approximately \$1.6 million, compared to \$1.57 million on the prior 2009 Bonds.

The source of repayment of the 2019 Bonds would be limited to Wastewater Enterprise revenues. The 2019 Bonds would not be a general debt of the City, but an obligation limited to the Wastewater Enterprise. If the subject Resolution and financing documents are approved by the City Council, sale of the 2019 Bonds would be expected to be completed on or about October 1st, with a delivery/closing date on or about October 22nd. The refunding proceeds would be put into a short escrow in order to call the 2009 Bonds on or about November 1st.

SUMMARY OF THE FINANCING DOCUMENTS:

The subject Resolution being recommended for adoption authorizes and approves the form of all the foundational legal documents (the "Financing Documents") necessary to provide for the successful issuance of the 2019 Bonds. The adoption of the Resolution and Financing Documents are necessary to move forward with the financing.

The proposed 2019 Bonds are to be issued as revenue bonds, payable only from net revenues of the wastewater enterprise system, and therefore, the City's General Fund will not be exposed to repayment risk.

The individual Financing Documents needed to complete this financing are included as attachments

and are each briefly described below:

- **Indenture** - This document contains the terms of the 2019 Bonds, including payment and redemption provisions, definition and pledge of Revenues to pay the 2019 Bonds, Rights and Duties of the Trustee, remedies upon a default in the payment of the 2019 Bonds, and final discharge of the 2019 Bonds and other related matters.
- **Preliminary Official Statement** - This is the City's document pursuant to which the 2019 Bonds will be offered for purchase by the public. This document must contain all facts material to the 2019 Bonds and the City (with certain permitted exceptions to be completed in the final Official Statement) and must not omit any such material facts.
- **Purchase Contract** - This document contains the obligation of the underwriter to accept and pay for the 2019 Bonds, provided that all of the covenants and representations of the City are met and certain other conditions excusing performance by the underwriter do not exist.
- **Continuing Disclosure Certificate** - Agreement by City to provide certain annual reports to investors in order to allow the underwriter to comply with federal securities laws.

FISCAL ANALYSIS

Based on current interest rates, refunding the 2009 Bonds will generate estimated total debt service savings of \$4.36 million net of all costs of issuance. The goal of the 2019 Bonds financing was to keep annual debt service payments at a level similar to the 2009 Bonds. For FY 2021 through FY 2030, average annual debt service on the 2019 Bonds is expected to be approximately \$1.6 million, compared to \$1.57 million on the prior 2009 Bonds. This includes the additional borrowing of \$12 million for capital improvement projects. The source of repayment of the 2019 Bonds would be limited to net revenues from the wastewater enterprise system.

ATTACHMENTS

1. 2019-09-23_ATT - Good Faith Estimates
2. 2019-09-23_ATT - Proposed Resolution
3. 2019-09-23_ATT - Indenture
4. 2019-09-23_ATT - Purchase Contract
5. 2019-09-23_ATT- Preliminary Official Statement (including the Continuing Disclosure Certificate)

MOTION

That the City Council:

Adopt a Resolution authorizing the issuance of approximately \$24,000,000 aggregate principal amount of Wastewater Facilities Revenue Bonds, 2019 Series A (the "2019 Bonds") to finance and refinance costs of the City's Wastewater System and approving the execution and delivery of certain documents in connection therewith and certain other

matters.