



# City of Culver City

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## Staff Report

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**File #:** 18-0458, **Version:** 2

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**SA - Adoption of a Resolution Approving a Form of Preliminary Official Statement in Connection with the Sale and Delivery of Tax Allocation Refunding Bonds; Confirming Actions Previously Taken, Including Approval of a Form of Purchase Contract; Making Certain Determinations Relating Thereto; and Authorizing Certain Other Actions in Connection Therewith.**

**Meeting Date:** November 6, 2017

**Contact Person/Dept:** Jeff Muir/Finance

**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 - Successor Agency (11/01/17);

**Department Approval:** Jeff Muir, Chief Financial Officer (10/26/17)

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### **RECOMMENDATION**

Staff recommends the Successor Agency Board adopt the proposed Resolution approving a form of Preliminary Official Statement in connection with the sale and delivery of tax allocation refunding bonds; confirming actions previously taken, including approval of a form of Purchase Contract; making certain determinations relating thereto; and authorizing certain other actions in connection therewith.

### **EXECUTIVE SUMMARY**

The Successor Agency is asked to adopt a Resolution approving the form and authorizing the distribution of a preliminary official statement ("Preliminary Official Statement") in connection with the issuance of tax-exempt and taxable refunding bonds ("Refunding Bonds"), confirming actions previously taken in connection with the sale of the Refunding Bonds, including approval of a form of a Bond Purchase Agreement ("BPA") between the Successor Agency and the underwriter. Staff estimates that refunding the outstanding bonds will save an average of \$2.685 million per year based

on current market conditions, directly benefitting all of the taxing entities within the Project Area, including the City, the County and the Culver City Unified School District (“CCUSD”).

## **BACKGROUND**

The former Culver City Redevelopment Agency (the “Former Agency”) issued several series of Tax Allocation Bonds (“TABs”) in 1999, 2002, 2004, 2005, and 2011 as follows (the “Prior Callable Bonds”):

1. Culver City Redevelopment Agency Tax Allocation Refunding Bonds, 1999 Series A (Culver City Redevelopment Project) (the “1999 Bonds”), dated as of October 13, 1999, in the amount of \$31,940,000
2. Culver City Redevelopment Agency Tax Allocation Bonds, 2002 Series A (Culver City Redevelopment Project) (the “2002 Bonds”), dated as of April 25, 2002, in the amount of \$28,280,000
3. Culver City Redevelopment Agency Tax Allocation Refunding Bonds, 2004 Series A (Culver City Redevelopment Project) (the “2004 Bonds”), dated as of April 14, 2004 in the amount of \$83,470,000
4. Culver City Redevelopment Agency Tax Allocation Refunding Bonds, 2005 Series A (Culver City Redevelopment Project) (the “2005 Bonds”), dated as of November 22, 2005, in the amount of \$17,315,000
5. Culver City Redevelopment Agency Tax Allocation Capital Appreciation Bonds (CABs), 2011 Series A (Culver City Redevelopment Project) (the “Callable 2011A Bonds”) maturing on or after November 1, 2025, and Culver City Redevelopment Agency Taxable Tax Allocation Bonds, 2011 Series B (Culver City Redevelopment Project) (the “2011B Bonds”), dated as of March 4, 2011, in the amounts of \$13,827,887.15, and \$33,585,000, respectively

On July 13, 2015, the Successor Agency adopted a Resolution authorizing and approving the issuance of refunding bonds (the “Refunding Bonds”) to refund the Prior Callable Bonds, and related financing documents, including the Bond Purchase Agreement.

The Prior Callable Bonds are currently outstanding in the principal amount of \$111,529,593 (based on the current value of capital appreciation bonds). Staff has determined, in consultation with Fieldman, Rolapp & Associates, the Successor Agency’s municipal advisor, that current bond market conditions allow for the issuance of refunding bonds to refinance the outstanding Prior Callable Bonds to lower the debt service costs. All of the Successor Agency’s debt will be refunded, except for the Non-callable Series 2011A Bonds maturing from November 1, 2019 through and including November 1, 2024 with a current outstanding principal balance of \$6,137,833.90. In connection with the proposed refunding transaction, the Successor Agency, upon advice of the Successor Agency’s bond counsel and municipal advisor, is authorized to instruct U.S. Bank National Association, as trustee under the indenture providing for the issuance of the Non-Callable Series 2011A Bonds (the “Senior Indenture”), to promptly transfer such amounts as will remain available under the Senior Indenture

following the proposed refunding in the redevelopment fund, the reserve account or otherwise, to the Principal Account established under the Senior Indenture to be held in trust and to be used to pay scheduled future debt service on the Non-Callable Series 2011A Bonds.

The estimated average annual debt service savings are anticipated to be approximately \$2.685 million per year. These savings are distributed to all taxing entities as additional property tax revenues. The City will receive 13.076 cents of every dollar of debt service costs saved or approximately \$351,000 annually. The CCUSD will receive 23.285% of every dollar of debt service costs saved or approximately \$625,000 annually.

## **DISCUSSION**

The requested action is the last approval step in the process to refund the Prior Callable Bonds. It is anticipated that the refunding will be priced in November and will close in December. The key milestones to complete the refunding are identified below:

- Secure underlying credit rating and binds for bond insurance and reserve fund surety (October/November)
- **Successor Agency approval of the Preliminary Official Statement and confirmation of actions previously taken regarding the refunding bonds (November - Requested Action)**
- Negotiated sale of Bonds (November)
- Bond closing (December)

Approval of the proposed resolution will authorize the distribution of the Preliminary Official Statement in connection with the offering and confirm actions previously taken, including approval of a form of a Bond Purchase Agreement.

- Approve Preliminary Official Statement - The form of the Preliminary Official Statement is approved and the document is deemed final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, with its distribution by Stifel underwriter for the Refunding Bonds.
- Official Actions - The resolution authorizes the Executive Director and the Chief Financial Officer to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the refunding bonds.

The Preliminary Official Statement for the Refunding Bonds is the document that provides disclosure to investors and potential investors regarding the terms of the Refunding Bonds, the refunding of the Prior Callable Bonds, security for the Refunding Bonds, risk factors and information concerning the Project Area, among other information.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the

Board by the Successor Agency's financing team. The distribution of the Preliminary Official Statement by the Successor Agency is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the Refunding Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Refunding Bonds. If the Board concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the Refunding Bonds, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the Successor Agency's compliance with the federal securities laws, has issued guidance as to the duties of the Board with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC indicated that, if a member of the Board has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the Refunding Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC indicated that the steps that a member of the Board could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

## **FISCAL ANALYSIS**

The refinancing of the Prior Bonds is anticipated to generate gross savings of approximately \$29.5 million over the remaining life of the indebtedness. The average annual savings are estimated to be approximately \$2.685 million per year based on current market conditions. The annual savings will be distributed to the taxing entities as additional property tax revenues. The City's share will be approximately \$351,000 per year. CCUSD will receive 23.285% of every dollar of debt service costs saved or approximately \$625,000 annually.

These savings are net of the cost of refunding the outstanding bonds, which will be incorporated into the issuance cost of the Refunding Bonds. All costs of issuance are incurred only if the refinancing closes, except for the costs of the fiscal consultant and rating agency. These costs are eligible to be included on the future Recognized Obligation Payment Schedule ("ROPS") per the provision of AB 1484 if the Refunding Bonds fail to close.

## **ATTACHMENTS**

1. Proposed Resolution
2. Form of Preliminary Official Statement

## **MOTION**

That the Successor Agency Board:

Adopt the proposed Resolution approving a form of Preliminary Official Statement in connection with the sale and delivery of tax allocation refunding bonds; confirming actions previously taken, including approval of a form of Purchase Contract; making certain determinations relating thereto; and authorizing certain other actions in connection therewith.