




## REPORT TO CITY COUNCIL

**DATE:** OCTOBER 26, 2016

**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

**FROM:** GREG RAMIREZ, CITY MANAGER 

**BY:** NATHAN HAMBURGER, ASSISTANT CITY MANAGER   
CHRISTY PINUELAS, DIRECTOR OF FINANCE 

**SUBJECT:** CONDUCT A PUBLIC HEARING AND APPROVE RESOLUTION NO. 16-1827; MAKING A FINDING OF SIGNIFICANT PUBLIC BENEFIT IN CONNECTION WITH THE SALE AND ISSUANCE OF AGOURA HILLS IMPROVEMENT AUTHORITY LEASE REVENUE REFUNDING BONDS, SERIES 2016, APPROVING AS TO FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION WITH THE SALE AND ISSUANCE OF SAID BONDS, AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

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Before the City Council is the request to adopt a resolution relating to the proposed issuance by the Improvement Authority of a series of bonds (the "2016 Bonds") to refund the Financing Authority's Refunding Lease Revenue Bonds, Series 2007 (the "2007 Bonds"). The currently outstanding principal amount of the 2007 Bonds is \$10,300,000. The 2007 Bonds carry interest rates of 4.333% and have a final maturity date of February 1, 2042.

The Improvement Authority is a joint powers authority, duly organized and existing under and pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") and that certain Joint Exercise of Powers Agreement, dated as of July 1, 2013, by and between the City and the Agoura Hills Parking Authority.

The 2007 Bonds are the most recent of a series of refunding bonds that traces back to the Financing Authority's Lease Revenue Bonds (Civic Center and Library Project), Series 1999. The Financing Authority is a joint powers authority, duly organized and existing under and pursuant to the Act and that certain Joint Exercise of Powers Agreement, dated as of April 1, 1999, by and between the City and the former Agoura Hills Redevelopment Agency. Due to the law that dissolved all California redevelopment agencies, the 2016 Bonds are being issued by the Improvement Authority.

The law that authorizes the Improvement Authority to issue bonds, requires the City Council to hold a noticed public hearing with respect to the proposed financing and to

make a finding that the projects result in significant public benefits to the constituents of the City.

As determined by the City's financial advisor, C.M. de Crinis & Co., Inc., the refunding, based upon current interest rates, is expected to generate net present value savings of approximately \$1.253 million (or 12% of the refunded principal amount). Final savings will depend on market conditions at the time of sale. No extension of the term (relative to the 2007 Bonds) is being proposed. The final maturity date of the 2016 Bonds will be June 1, 2041. Pursuant to the minimum parameters set forth in the attached Improvement Authority resolution, the 2016 Bonds cannot be issued unless the final interest rate is less than 5.0%, and the net present value savings is at least 3.0%, as recommended by GFOA best practices, of the principal amount of the refunded 2007 Bonds, net of all costs. It is currently expected that the net interest cost will be under 3.25%. The bonds will be sold by competitive sale to the underwriting firm offering the lowest interest cost and highest savings. Staff, in consultation with the City's financial advisor will evaluate the bids. The expected sale date is November 15, 2016.

Pursuant to the bond documents for the 2007 Bonds, the first date on which the 2007 Bonds can be redeemed is February 1, 2017. The 2016 Bonds will be issued before that date. Proceeds of the 2016 Bonds (except for the portions to be used for the costs of issuance) will be held by the bond trustee in escrow for about 60 days. until their use for the payment and redemption of the 2007 Bonds on February 1, 2017.

Adoption of the attached resolution will provide for the issuance of the 2016 Bonds and the use of Bond proceeds to refund all of the outstanding 2007 Bonds. The 2016 Bonds will be sold through the competitive bidding process.

Due to the size of the documents related to the refinancing of the above mentioned bond, the following items are available for inspection and review in the Office of the City Clerk and Authority Secretary (explanations of these items are found in Attachment A):

- a) Indenture
- b) Lease Agreement
- c) Sub Lease
- d) Assignment Agreement
- e) Escrow Agreement
- f) Continuing Disclosure Agreement
- g) Preliminary Official Statement
- h) Notice of Sale and Notice of Intention to Sell

A public hearing is required to be conducted by the City prior to the issuance of lease revenue bonds by the Authority for this purpose. Following the public hearing, the City and the Authority shall each consider a resolution approving the issuance of the Bonds and the legal documents to which they are a party.

## **RECOMMENDATION**

Staff respectfully requests the City Council conduct a public hearing, regarding the proposed financing and approve Resolution No. 16-1827; making findings of significant benefit in connection with the issuance and sale of Agoura Hills Improvement Authority Lease Revenue Bonds (the “2016 Bonds”).

Attachments :       A) Explanations of Bond Refinancing Terms  
                          B) Resolution No. 16-1827

## ATTACHMENT A

### EXPLANATIONS OF BOND REFINANCING TERMS

For the purposes of clarification and transparency, the following explanation of the documents involved in this process are being provided:

**Indenture** - The Indenture sets forth all of the terms and conditions of the 2016 Bonds (e.g., principal amount, maturity and redemption schedule, payment, registration and transfer provisions, and the form of the 2016 Bonds), the establishment and maintenance of certain funds and accounts (including a debt service reserve account), and the rights and duties of The Bank of New York Mellon Trust Company, N.A., as Trustee. Under the Indenture, the Authority will pledge "Revenues" derived from the City's lease payments under the Sublease to pay debt service on the 2016 Bonds.

**Lease** - Pursuant to the Lease, the City will lease the civic center and library site and the improvements on the site to the Improvement Authority for the payment of \$1.00 for rent.

**Sublease** - Pursuant to the Sublease, the Improvement Authority agrees to lease the property and improvements to the City. The City agrees to make rental payments to the Improvement Authority, in sufficient amounts to pay debt service on the 2016 Bonds.

**Assignment Agreement** – Under this agreement, the Improvement Authority will assign its rights to receive the lease payments under the sublease to the Trustee, for the benefit of the owners of the 2016 Bonds.

**Notice Inviting Bids** - This document describes the terms for the competitive sale of the 2016 Bonds. It includes the date, time and place of sale, principal amount of the 2016 Bonds, the required good faith deposit, basis of award, maturity schedule, method of delivery, time and place of delivery, and bid form.

**Preliminary Official Statement** – This document is distributed to potential investors before the sale of the 2016 Bonds. It includes a summary of the proposed terms of the 2016 Bonds, sources of repayment and certain risks relating to the investment in the 2016 Bonds. As permitted by federal securities laws, some of the terms of the 2016 Bonds, which are not determined until the pricing of the 2016 Bonds (such as interest rates and redemption schedule) will appear as blanks or footnoted as "preliminary." After pricing the 2016 Bonds, these terms will be inserted and the Preliminary Official Statement will become the final Official Statement for distribution to the buyers of the 2016 Bonds.

**Continuing Disclosure Agreement** – Under this agreement, the City agrees to provide a copy of its audited financial statements and a report of other information relevant to the security of the 2016 Bonds for filing each year, to make this information available to the investors. The City also agrees to disclose and make a filing if a "material event," such as a default on the 2016 Bonds, ever occurs.

**Escrow Agreement** –This agreement will provide for the establishment of an escrow fund to be held and maintained by The Bank of New York Mellon Trust Company, in its capacity as bond trustee for the 2007 Bonds. It is anticipated that the 2016 Bonds will be issued in November of 2016. Redemption of the 2007 Bonds will occur on February 1, 2017. During the interim period, monies to be used for the payment and redemption of the 2007 Bonds will be held in the escrow fund. Moneys in the escrow fund will be disbursed upon the payment and redemption of the 2007 Bonds.

## RESOLUTION NO. 16-1827

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AGOURA HILLS MAKING A FINDING OF SIGNIFICANT PUBLIC BENEFIT IN CONNECTION WITH THE SALE AND ISSUANCE OF AGOURA HILLS IMPROVEMENT AUTHORITY LEASE REVENUE REFUNDING BONDS, SERIES 2016, APPROVING AS TO FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION WITH THE SALE AND ISSUANCE OF SAID BONDS, AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO**

WHEREAS, the Agoura Hills Improvement Authority (the "Authority") is a joint powers authority duly organized and existing under and pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") and that certain Joint Exercise of Powers Agreement, dated as of July 1, 2013, by and between the City of Agoura Hills (the "City") and the Agoura Hills Parking Authority; and

WHEREAS, the Authority is authorized pursuant to Article 4 of the Act to issue bonds for the purpose of financing and refinancing public capital improvements; and

WHEREAS, the Authority has proposed to sell and issue Agoura Hills Improvement Authority, Lease Revenue Refunding Bonds, Series 2016 (the "2016 Bonds"), to be issued and secured pursuant to an Indenture (the "2016 Indenture"); and

WHEREAS, pursuant to an Indenture of Trust, dated as of March 1, 2007 (the "2007 Indenture"), by and between the Agoura Hills Financing Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "2007 Trustee"), the Agoura Hills Financing Authority previously issued its Lease Revenue Refunding Bonds, Series 2007 (the "2007 Authority Bonds") to refinance the costs of the acquisition and construction of the city hall and library facilities and to finance the costs of the acquisition and construction of the Reyes Adobe Road freeway interchange and the related improvements, and other public infrastructure and public facilities (the "Projects"); and

WHEREAS, as part of the 2007 Authority Bonds financing, the Agoura Hills Financing Authority entered into the following: (i) a Lease Agreement, dated as of March 1, 2007, by and between the City and the Agoura Hills Financing Authority, whereby the Agoura Hills Financing Authority agreed to lease the city hall and library site and the improvements thereon (collectively, the "Leased Property") from the City; and (ii) a Sublease Agreement, dated as of March 1, 2007 (the "2007 Sublease"), by and between the Agoura Hills Financing Authority and the City, whereby the Agoura Hills Financing Authority agreed to sublease the Leased Property to the City; and

WHEREAS, the proceeds of 2016 Authority Bonds will be applied to effect a prepayment of the City's rental payment obligations under the 2007 Sublease and a corresponding refunding of all of remaining outstanding 2007 Authority Bonds; and

WHEREAS, in connection with the 2016 Authority Bonds, the City and the Authority propose to enter into a 2016 Lease Agreement (as defined herein) and a 2016 Sublease Agreement (as defined herein), under which the City will sublease the Leased Property from the Authority and make rental payments, calculated to be sufficient to allow the Authority to pay debt service on the 2016 Authority Bonds, and which rental payments will be assigned to The Bank of New York Mellon Trust Company, N.A., as trustee for the 2016 Authority Bonds pursuant to an Assignment Agreement approved by the Authority's resolution approving the issuance of the 2016 Authority Bonds (the "2016 Assignment Agreement"); and

WHEREAS, pursuant to Section 6586.5 of the California Government Code, after notice duly published in accordance with law, the City Council of the City (the "City Council") held a public hearing on this date with respect to the proposed issuance of the 2016 Authority Bonds to refinance the 2007 Authority Bonds and the Projects financed or refinanced thereby;

NOW, THEREFORE, BE IT RESOLVED, BY THE City Council of the City of Agoura Hills as follows:

Section 1. Recitals. The above recitals, and each of them, are true and correct.

Section 2. Approval of Financing. The City Council hereby finds that the Authority's issuance of the 2016 Authority Bonds to assist the City with the refinancing of the Projects will result in significant public benefits to the constituents of the City, including demonstrable savings in effective interest rate, bond preparation, bond underwriting, and bond issuance costs and more efficient delivery of City services to its residential and commercial development. The City Council hereby approves the issuance of the 2016 Authority Bonds.

Section 3. 2016 Lease Agreement. The Lease Agreement (the "2016 Lease Agreement"), proposed to be entered into by and between the City and the Authority, in the form on file in the office of the City Clerk, is hereby approved. Each of the Mayor (or in the Mayor's absence, the Mayor Pro Tem) and the City Manager (or in the City Manager's absence, the Assistant City Manager) (each, an "Authorized Officer") is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the 2016 Lease Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may approve (such approval to be conclusively evidenced by such Authorized Officer's execution and delivery thereof).

Section 4. 2016 Sublease Agreement. The Sublease Agreement (the "2016 Sublease Agreement"), proposed to be entered into by and between the Authority and the City, in the form on file in the office of the City Clerk, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name

and on behalf of the City, to execute and deliver the 2016 Sublease Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may approve (such approval to be conclusively evidenced by such Authorized Officer's execution and delivery thereof).

Section 5. Continuing Disclosure Agreement. The Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), proposed to be entered into by and between the City and Digital Assurance Certification LLC, as Dissemination Agent, in the form on file in the office of the City Clerk, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Continuing Disclosure Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may approve (such approval to be conclusively evidenced by such Authorized Officer's execution and delivery thereof).

Section 6. Preliminary Official Statement. The Preliminary Official Statement relating to the 2016 Authority Bonds (the "Preliminary Official Statement"), in the form on file with the City Clerk, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the City, to cause the Preliminary Official Statement in substantially said form, with such additions or changes therein as such Authorized Officer may approve, to be deemed final for the purposes of Rule 15c2-12, promulgated pursuant to the Securities and Exchange Act of 1934, as amended. The distribution of the Preliminary Official Statement to prospective bidders on the 2016 Authority Bonds pursuant to the Authority's resolution approving the issuance of the 2016 Authority Bonds is hereby approved.

Section 7. Official Statement. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the City, to cause the Preliminary Official Statement to be brought into the form of a final Official Statement (the "Official Statement"), and to execute the same for and in the name and on behalf of the City, with such additions or changes therein as such Authorized Officer may approve (such approval to be conclusively evidenced by such Authorized Officer's execution and delivery thereof).

Section 8. Escrow Agreement. The Escrow Agreement (the "Escrow Agreement"), proposed to be entered into by and among the Agoura Hills Financing Authority, the City, and the 2007 Trustee, in the form on file in the office of the City Clerk, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Escrow Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may approve (such approval to be conclusively evidenced by such Authorized Officer's execution and delivery thereof).

Section 9. Other Acts. The Mayor, the Mayor Pro Tem, the City Manager, the Assistant City Manager and Finance Director, and other officers of the City are hereby authorized and directed, jointly and severally, to do any and all things (including negotiating with respect to obtaining a municipal bond insurance policy or debt service



reserve surety bond), to execute and deliver any and all documents that they may deem necessary or advisable in order to consummate the sale, issuance and delivery of the 2016 Authority Bonds, or otherwise to effectuate the purposes of this Resolution, the 2016 Lease Agreement, the 2016 Sublease Agreement, the Continuing Disclosure Agreement, the Official Statement, and the Escrow Agreement, and any such actions previously taken by such officers are hereby ratified and confirmed.

Section 10. Effective Date. This Resolution shall take effect immediately upon adoption.

**PASSED, APPROVED AND ADOPTED** 26th day of October, 2016, by the following vote to wit:

AYES:            (  
NOES:            (  
ABSTAIN:        (  
ABSENT:         (  
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Harry Schwarz, Mayor

ATTEST:

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Kimberly M. Rodrigues, City Clerk