




REPORT TO AGOURA HILLS IMPROVEMENT AUTHORITY

DATE: OCTOBER 26, 2016

TO: HONORABLE PRESIDENT AND AUTHORITY COMMISSIONERS

FROM: GREG RAMIREZ, CHIEF ADMINISTRATIVE OFFICER 

BY: NATHAN HAMBURGER, ASSISTANT CHIEF ADMINISTRATIVE OFFICER 
CHRISTY PINUELAS, DIRECTOR OF FINANCE 

SUBJECT: APPROVAL OF RESOLUTION NO. IA16-04; ACKNOWLEDGING A FINDING OF SIGNIFICANT PUBLIC BENEFIT IN CONNECTION WITH THE ISSUANCE AND SALE OF THE 2016 BONDS, PROVIDING FOR THE ISSUANCE, SALE, AND DELIVERY OF THE 2016 BONDS AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS RELATING TO THE 2016 BONDS

Before the Improvement Authority is 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 Council prior to the issuance of lease revenue bonds by the Authority for this purpose, which was completed prior to the commencement of the Improvement Authority meeting. Following the public hearing, the City and the Authority are each asked to consider a resolution approving the issuance of the Bonds and the legal documents to which they are a party.

RECOMMENDATION

Staff respectfully recommends the Improvement Authority adopt Resolution No. IA16-04, acknowledging a finding of significant public benefit in connection with the issuance of

Agoura Hills Improvement Authority Lease Revenue Refunding Bonds, Series 2016; authorizing the sale, issuance and delivery of said bonds, approving as to form and authorizing the execution and delivery of certain documents in connection therewith; and authorizing certain other matters relating thereto.

Attachments: (A) Explanations of Bond Refinancing Terms
(B) Resolution No. IA16-04

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. IA16-04

A RESOLUTION OF THE AGOURA HILLS IMPROVEMENT AUTHORITY ACKNOWLEDGING A FINDING OF SIGNIFICANT PUBLIC BENEFIT IN CONNECTION WITH THE ISSUANCE OF AGOURA HILLS IMPROVEMENT AUTHORITY LEASE REVENUE REFUNDING BONDS, SERIES 2016; AUTHORIZING THE SALE, ISSUANCE AND DELIVERY OF SAID BONDS; APPROVING AS TO FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH; 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, the City Council of the City (the "City Council") has made a finding, after duly noticed public hearing pursuant to Section 6586.5 of the Government Code, that the issuance of the 2016 Bonds will result in significant public benefit;

NOW, THEREFORE, BE IT RESOLVED, by the Agoura Hills Improvement Authority as follows:

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

Section 2. Acknowledgement of City Council Findings and Authorization to Issue 2016 Bonds. The Board of Directors of the Authority hereby acknowledges and concurs with the City Council's finding of significant public benefit and hereby approves and authorizes the issuance and sale of the 2016 Bonds, subject to the parameters set forth below.

Section 3. 2016 Indenture. The Indenture (the "2016 Indenture"), proposed to be entered into by and between the Authority and the 2016 Trustee (defined in Section 4 below), in the form on file with the Secretary of the Authority (the "Authority Secretary"), is hereby approved. Subject to the parameters set forth in Section 5 below, the issuance of the 2016 Bonds is hereby approved and authorized. Subject to Section 5 below, each of the Chair, the Vice-Chair, and the Executive Director, or their designee (each, an "Authorized Officer"), acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the 2016 Indenture in substantially said form, with such additions or changes 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. Appointment of 2016 Trustee. The appointment of The Bank of New York Mellon Trust Company, N.A., as trustee (the "2016 Trustee") under the 2016 Indenture is hereby confirmed.

Section 5. Terms of Sale of 2016 Bonds. The authorization set forth in this Resolution regarding the issuance and sale of the 2016 Bonds are subject to the following parameters: (i) the aggregate principal amount of the 2016 Bonds shall not exceed

\$11,000,000; (ii) the interest rate for the 2016 Bonds shall not exceed five percent per annum; (iii) the net present value savings amount achieved through defeasing the 2007 Authority Bonds by issuing the 2016 Bonds, expressed as a percentage of the aggregate principal amount of the 2007 Authority Bonds being refunded, will be at least three percent; and (iv) the underwriter's discount with respect to the 2016 Bonds shall not exceed one percent of the principal amount thereof.

Section 6. 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 Secretary of the Authority, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, 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 7. 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 Secretary of the Authority, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, 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 8. 2016 Assignment Agreement. The Assignment Agreement (the "2016 Assignment Agreement"), proposed to be entered into by and between the Authority and the 2016 Trustee, in the form on file in the office of the Secretary of the Authority, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the 2016 Assignment 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. Notice Inviting Bids. The Notice Inviting Bids, in the form on file in the office and on file with the Secretary of the Authority, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized, for and in the name of the Authority, to use the Notice Inviting Bids, with such changes, insertions and omissions as such Authorized Officer may require or approve, to solicit from underwriters' proposals to purchase the Bonds. Subject to the parameters set forth in Section 5 hereof, the terms and conditions of the offering and sale of the 2016 Bonds shall be as specified in the Notice Inviting Bids. Sealed bids for the purchase of the Bonds shall be received by the Authority at the time and place set forth in the Notice Inviting Bids. The Authorized Officers are each hereby authorized and directed, for and in the name of the City, to accept the lowest bid for the Bonds, or to reject all bids therefor, in accordance with the Notice Inviting Bids.

Section 10. Notice of Intention to Sell Bonds. The Notice of Intention to Sell Bonds, in the form on file in the office and on file with the Secretary of the Authority, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name of the City, to cause the Notice of Intention to Sell Bonds to be published once in The Bond Buyer (or in such other financial publication generally circulated throughout the State of California or reasonably expected to be disseminated among prospective bidders for the 2016 Bonds as an Authorized Officer shall approve as being in the best interests of the Authority) at least 15 days before the date set for the opening of bids in the Notice Inviting Bids in accordance with California Government Code Section 53692 and once in a newspaper of general circulation within the boundaries of the City at least 10 days before the date set for the opening of bids in the Notice Inviting Bids in accordance with California Government Code Section 5808, with such changes, insertions and omissions as an Authorized Officer may require or approve, such requirement or approval to be conclusively evidenced by such publishing of the Notice of Intention to Sell Bonds

Section 11. Preliminary Official Statement. The Preliminary Official Statement relating to the 2016 Bonds (the "Preliminary Official Statement"), in the form presented and on file with the Authority Secretary, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, 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 of the Securities and Exchange Act of 1934 ("Rule 15c2-12"). The Authorized Officers are hereby authorized and directed to furnish, or cause to be furnished, to prospective bidders for the 2016 Bonds, a reasonable number of copies of the Preliminary Official Statement.

Section 12. Official Statement. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, 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 Authority, 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). The Authorized Officers are each hereby authorized and directed to furnish or cause to be furnished, to the purchaser of the Bonds, as many copies of the Official Statement as said purchaser shall require, provided that no charge shall be imposed on the first 100 copies of the Official Statement.

Section 13. Other Acts. The Authorized Officers and all other officers of the Authority are hereby authorized and directed, jointly and severally, to do any and all things (including negotiations 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 Bonds, or otherwise to effectuate the purposes of this Resolution, the 2016 Indenture, the 2016 Lease Agreement, the 2016 Sublease Agreement, 2016 Assignment Agreement, the Notice Inviting Bids, the Official Statement, and the Escrow Agreement, and any such actions previously taken by such officers are hereby ratified and confirmed.

Section 14. Effective Date. This Resolution shall take effect immediately upon adoption.

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

AYES: ()

NOES: ()

ABSTAIN: ()

ABSENT: ()

Harry Schwarz, Chair

ATTEST:

Kimberly M. Rodrigues, Authority Secretary