



Staff Report

File #: 24-0594

**AGENDA REPORT
REQUEST FOR CITY COUNCIL ACTION**

DATE: 08/07/2024

TO: Honorable Mayor and City Council Members

FROM: Finance Department

SUBJECT:

ADOPTION OF RESOLUTION NO. 2024-080, AUTHORIZING THE SALE AND ISSUANCE OF BONDS OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 (BEDFORD) (IMPROVEMENT AREA NO. 2), AND APPROVING A FISCAL AGENT AGREEMENT, PURCHASE CONTRACT, CONTINUING DISCLOSURE CERTIFICATE (APPENDIX E TO THE PRELIMINARY OFFICIAL STATEMENT), PRELIMINARY OFFICIAL STATEMENT AND PREPARATION OF A FINAL OFFICIAL STATEMENT, AND APPROVING OTHER RELATED DOCUMENTS AND ACTIONS

EXECUTIVE SUMMARY:

This staff report asks City Council to adopt Resolution No. 2024-080 (the "Resolution"), authorizing the issuance of bonds of Improvement Area No. 2 of Community Facilities District No. 2018-1 (Bedford) (the "District"), designated the 2024 Special Tax Bonds (the "Bonds"), and approving a Fiscal Agent Agreement, Purchase Contract, Continuing Disclosure Certificate (Appendix E to the Preliminary Official Statement), Second Amendment to the Funding and Acquisition Agreement, Preliminary Official Statement and Preparation of a Final Official Statement, and approving other related documents and actions.

RECOMMENDED ACTION:

That the City Council:

- a. Adopt the Resolution, authorizing the issuance of bonds for Community Facilities District N. 2018-1 (Bedford), designated 2024 Special Tax Bonds, appointing a fiscal agent, approving a fiscal agent agreement and purchase contract and authorizing negotiation of terms of the sale of said bonds, approving a preliminary official statement and authorizing preparation of a final official statement and approving a continuing disclosure certificate and approving other related documents and actions

- b. Authorize the City Manager and the Finance Director to execute all related service agreements and purchase order for the financing team.

BACKGROUND & HISTORY:

On June 20, 2018, the City Council established the Community Facilities District N. 2018-1 (the District) and designated five improvement areas therein (the "Improvement Areas"), including Improvement Area No. 2 ("Improvement Area No. 2"). They also adopted a Resolution Determining the Necessity for the District to Incur a Bonded Indebtedness for each Improvement Area, for the purpose of levying special taxes on parcels of taxable property therein to provide the financing of certain public facilities which are necessary to meet increased demands placed upon the City as a result of the development of said real property. In conjunction with the formation of the District, in order to facilitate the construction of certain public improvements therein, the City, for itself and on behalf of the District, and Arantine Hills Holdings L.P. entered into that certain Funding and Acquisition Agreement, dated as of July 1, 2018, as amended by that certain First Amendment to Funding and Acquisition Agreement, dated as of November 1, 2023 (together, the "Funding and Acquisition Agreement"), with respect to the District.

Also on June 20, 2018, consolidated elections were held within each Improvement Area of the District on propositions regarding the annual levy of special taxes within each Improvement Area to pay principal of and interest on bonds of each Improvement Area and to pay the costs of public facilities, the annual levy of special taxes within each Improvement Area to pay the costs of certain services, and establishing an appropriations limit for the District, as a result of which the District was authorized to issue bonds for each Improvement Area for the purpose of financing certain public facilities for the District. The authorized bonded indebtedness for Improvement Area No. 2 is \$26,000,000. The payment of principal and interest on the Bonds will be secured by special taxes levied on parcels of taxable property in Improvement Area No. 2 (the "Special Taxes"). This will be the first and only issuance of bonds for Improvement Area No. 2.

The appraised value of the taxable property within Improvement Area No. 2 of the District, based upon the appraisal (the "Appraisal") prepared by Kitty Siino & Associates, Inc., the City's Appraiser, is \$251,982,896 as of a date of value of May 24, 2024. Based on said appraised value, if the Bonds are issued and sold in an aggregate principal amount that does not exceed \$26,000,000, then the bond issuance will meet the debt-to-lien ratio requirements of the Fiscal Agent Agreement.

ANALYSIS:

The Resolution authorizes the Mayor, the City Manager, and the Finance Director to proceed with the issuance of the Bonds and to execute and deliver the final form of the Purchase Contract, by and between the City, on behalf of the District, and Stifel, Nicolaus & Company, Incorporated (the "Underwriter") within certain parameters, as follows:

- a. the true interest cost of the Bonds shall not exceed seven percent (7.00%);
- b. the Underwriter's discount for the purchase of the Bonds shall not be more than an amount equal to one and one-half percent (1.50%) (exclusive of original issue discount) of the aggregate principal amount of the Bonds; and

- c. the last maturity of the Bonds shall be paid and redeemed no later than September 1, 2055.

The documents, the form of which are presented to the City Council, include the Fiscal Agent Agreement, a Purchase Contract, a Preliminary Official Statement, a Continuing Disclosure Certificate (Appendix E to the Preliminary Official Statement), and the Second Amendment to the Funding and Acquisition Agreement.

The Fiscal Agent Agreement provides for the terms of the Bonds to be issued and provides for certain funds and accounts into which proceeds of the Bonds will be deposited and invested until spent on the authorized facilities.

The Purchase Contract provides for the conditions which must be met to successfully deliver the Bonds to the Underwriter, and the purchase price to be paid for the Bonds.

The Preliminary Official Statement describes the City, the District, the terms of the Bonds and describes the security for payment of the Bonds. Once the terms of the Bonds are set (i.e., price, interest rate and maturity), that information is included in a Final Official Statement which is used by the Underwriter to provide to the investing public.

The Continuing Disclosure Certificate, which is also included as an appendix to the Preliminary Official Statement, requires that the City provide certain information regarding the development and the Special Taxes on a regular basis to the secondary marketplace.

The Second Amendment to the Funding and Acquisition Agreement further clarifies the facilities to be financed with Bond proceeds.

Should the Resolution be approved, the issuance and sale of the Bonds will proceed. Pursuant to Government Code Section 5852.1, certain good faith estimates for the Bonds have been provided by the City's Municipal Advisor, in consultation with the Underwriter, and are attached as Exhibit A to the Resolution.

FISCAL IMPACT:

The sale of the Bonds has no fiscal impact to the City. The Bonds to be issued by the City, for and on behalf of the District for Improvement Area No. 2 therein, will be the sole responsibility of the property owners through a levy of the Special Taxes on property within Improvement Area No. 2; the City has no responsibility for the debt service associated with the Bonds. Cost of issuance will be borne by the Bond proceeds. The administration cost for the Bonds will be built into the annual levy process and reimbursed by the special taxes collected.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act ("CEQA"), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment,

the action is not subject to CEQA. This action merely adopts the resolutions and authorizes the approval of other documents necessary to issue the Bonds, and there is no possibility that adopting the resolution will have a significant effect on the environment.

PREPARED BY: ERMA MONTANO, SENIOR FINANCIAL ANALYST

REVIEWED BY: ELIANA NGUYEN, ACCOUNTING SUPERVISOR

REVIEWED BY: CHRISTINE THOMPSON, ACCOUNTING MANAGER

REVIEWED BY: KIM SITTON, FINANCE DIRECTOR

Attachments:

1. Exhibit 1 - Project Map
2. Exhibit 2 - Resolution No. 2024-080
3. Exhibit 3 - Fiscal Agent Agreement
4. Exhibit 4 - Purchase Contract
5. Exhibit 5 - Preliminary Official Statement
6. Exhibit 6 - Second Amendment to the Funding and Acquisition Agreement