



Agenda Report

File #: 18-2236

**AGENDA REPORT
REQUEST FOR CITY COUNCIL ACTION**

DATE: 11/7/2018

TO: Honorable Mayor and City Council Members

FROM: Administrative Services Department

SUBJECT:

City Council consideration to adopt Resolution No. 2018-117 authorizing the issuance of bonds of Community Facilities District No. 2017-2 (Valencia/Seville) designated 2018 Special Tax Bonds, appointing Fiscal Agent, approving Fiscal Agent Agreement and Purchase Contract and authorizing negotiation of terms of the sale of said Bonds, approving Preliminary Official Statement and authorizing preparation of Final Official Statement and approving Continuing Disclosure Certificate.

RECOMMENDED ACTION:

That the City Council:

1. Adopt Resolution No. 2018-117 authorizing the issuance of bonds of Community Facilities District No. 2017-2 (Valencia/Seville) designated 2018 Special Tax Bonds (the "Bonds"), appointing Fiscal Agent, approving Fiscal Agent Agreement and Purchase Contract and authorizing negotiation of terms of the sale of said Bonds, approving Preliminary Official Statement and authorizing preparation of Final Official Statement and approving Continuing Disclosure Certificate.
2. Authorize the City Manager and the Assistant City Manager/Administrative Services Director to execute all related service agreements and purchase orders for the financing team.

ANALYSIS:

On July 19, 2017, Community Facilities District No. 2017-2 (Valencia/Seville) (the "District") was established by Resolution 2017-058 (the "Resolution of Formation") by the City Council; on the same date the City Council adopted Resolution 2017-059 (the "Resolution of Necessity") determining the necessity for the District to incur a bonded indebtedness in an aggregate principal amount not to exceed \$5,000,000. Also on July 19, 2017, consolidated elections were held within the District on the propositions of whether a bonded indebtedness in an aggregate principal amount of not to exceed

\$5,000,000 should be incurred by and for the District for the purpose of financing certain public facilities, the annual levy of special taxes to pay principal of and interest on bonds of the District and to pay the costs of public facilities, the annual levy of special taxes within the District to pay the costs of certain services, and establishing an appropriations limit for the District, as a result of the consolidated special elections, the District was authorized to issue bonds for the purpose of financing certain public facilities for the District in an aggregate principal amount not to exceed \$5,000,000.

At the November 7, 2018 meeting the City Council will consider the adoption of a resolution authorizing the issuance and sale of the Bonds in an aggregate principal amount not to exceed \$4,500,000. These Bonds will be sold to finance certain public facilities of the City and school facilities of the Corona-Norco Unified School District (the "Facilities").

Pursuant to Government Code Section 53345.8, the City Council, as the legislative body of the District, may sell bonds of the District only if it determines prior to the sale of such bonds that the value of the real property that would be subject to the special tax to pay debt service on the bonds will be at least three (3) times the principal amount of the bonds to be sold and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Mello-Roos Community Facilities Act of 1982 on property within the District or a special assessment levied on property within the District.

The appraised value of the taxable property within the District, based on the appraisal prepared by Kitty Siino & Associates, Inc. (the "Appraisal"), is \$26,373,832 as of September 11, 2018. If the Bonds are issued in an aggregate principal amount that does not exceed \$4,500,000, then the appraised value of the taxable property in the District, as set forth in the Appraisal, will be more than three (3) times such principal amount of the bonds.

Resolution No. 2018-117 authorizes the Mayor, the City Manager and the Assistant City Manager/Administrative Services to proceed with the issuance of the Bonds and to execute and deliver the final form of the Purchase Contract between the City on behalf of the District and Stifel, Nicolaus & Company, Incorporated (the "Underwriter") within certain parameters, which are (a) the true interest cost on the Bonds shall not exceed six percent (6.0%), (b) the purchase price to be paid by the Underwriter for the purchase of the Bonds shall not be more than an amount equal to two percent (2.0%) (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, 2048.

Exhibit A to the Bond Resolution 2018-117 sets forth good faith estimates with respect to the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the City by CSG Advisors Incorporated, the City's municipal advisor (the "Municipal Advisor") in consultation with the Underwriter.

The documents, the form of which are presented to the City Council, relating to the issuance of the Bonds include a Fiscal Agent Agreement, Purchase Contract, Preliminary Official Statement, and Continuing Disclosure Certificate.

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 Facilities. Additionally, the Fiscal Agent Agreement creates certain other funds and accounts which provide for the payment of principal of and interest on the Bonds, including the redemption of

the Bonds.

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

The Preliminary Official Statement describes 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 included as an exhibit 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 market place.

Should the Bond Resolution be approved, the bond sale will proceed according to a schedule which calls for the Bonds being delivered to the Underwriter in December 2018, in exchange for the purchase price that will be received on the date of closing.

COMMITTEE ACTION:

Not applicable.

STRATEGIC PLAN:

This item supports the City's Strategic Plan Goal 6: Improve Communications with Our Community; Objective a: Commit to transparency in all City actions.

FISCAL IMPACT:

The sale of the Bonds has no direct fiscal impact to the City of Corona. The Bonds to be issued by the District will be the sole responsibility of the property owners through a levy of special taxes on property within the District; the City has no responsibility for the debt service associated with these Bonds. Cost of issuance will be borne by the bond proceeds as well. Staff's time administering 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 general rule 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: JENNIFER SCHAEFER, FINANCE MANAGER II

REVIEWED BY: KERRY D. EDEN, ASSISTANT CITY MANAGER/ADMINISTRATIVE SERVICES DIRECTOR

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REVIEWED BY: MICHELE NISSEN, ASSISTANT CITY MANAGER

SUBMITTED BY: DARRELL TALBERT, CITY MANAGER

1. Fiscal Agent Agreement
2. Purchase Contract
3. Preliminary Official Statement
4. Continuing Disclosure Certificate