



Agenda Report

Fullerton City Council

MEETING DATE: MAY 19, 2020

TO: CITY COUNCIL / SUCCESSOR AGENCY

FROM: KENNETH A. DOMER, CITY MANAGER

PREPARED BY: ELLIS CHANG, DIRECTOR OF ADMINISTRATIVE SERVICES

SUBJECT: 2020 TAX ALLOCATION REFUNDING BONDS PRIMARY FINANCING TEAM SELECTION

SUMMARY

A resolution to approve the selection of the additional Tax Allocation Refunding Bonds, Series 2020 (2020 Bonds) primary financing team which includes Bond Counsel, Disclosure Counsel, Fiscal Consultant, and Underwriter (or, in the event of a private placement, Placement Agent) in connection with the issuance and sale of tax allocation refunding bonds to defease the 2005 Tax Allocation Revenue Bonds (2005 TARBs).

RECOMMENDATION

1. Direct Staff to initiate issuing 2020 Bonds for the purpose of refunding City of Fullerton Public Financing Authority 2005 TARBs.
2. Authorize Staff to engage services with additional primary financing team: Stradling Yocca Carlson & Rauth to serve as Bond Counsel, Jones Hall as Disclosure Counsel, Urban Futures Inc. as Fiscal Consultant and Stifel as Underwriter (or, in the event of a private placement, Placement Agent).
3. Adopt Resolution No. SA 2020-XX.

RESOLUTION NO. SA 2020-XX – A RESOLUTION OF THE SUCCESSOR AGENCY OF THE CITY OF FULLERTON, CALIFORNIA, APPROVING THE FINANCING TEAM IN CONNECTION WITH THE ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

BUDGET POLICY PRIORITY STATEMENT

This item matches the following Budget Policy Priority Statement:

- Fiscal and Organizational Stability.

FISCAL IMPACT

Fees and expenses of the financing team will be fully contingent upon successful closing of the 2020 Bonds refunding transaction and will be paid directly from refunding proceeds.

DISCUSSION

In 2005, the City of Fullerton Public Financing Authority issued \$74,600,000 in Tax Allocation Revenue Bonds for the purpose of making loans to the Fullerton Redevelopment Agency in order to finance certain improvements in its various redevelopment project areas. The 2005 TARBs are currently outstanding in the amount of \$43,040,000 and are callable at par on any interest payment date as of September 1, 2015. Significant savings can be achieved by refunding the 2005 TARBs on or before September 1, 2020, the next interest payment date.

On February 1, 2012, every redevelopment agency in the State of California was dissolved and a successor agency was created for each redevelopment agency. On June 27, 2012, the State passed Assembly Bill 1484 (AB 1484), which included provisions permitting successor agencies to refund outstanding bonds or other obligations of a former redevelopment agency to achieve savings, with further amendments to the dissolution law occurring with passage of Senate Bill No. 107 on September 22, 2015. A large number of successor agencies have since refunded their existing redevelopment bonds to provide savings and thus increase the distribution of residual tax increment revenues to taxing entities.

On February 4, 2020, Staff provided a report to City Council summarizing the City's existing debt and opportunities for refinancing. City Council authorized refunding of the 2005 TARBs for interest savings and authorized Staff to obtain municipal advisory services.

On May 5, 2020, City Council approved the agreement to retain Urban Futures, Inc. (UFI) to serve as the City's municipal advisor.

UFI has competitively bid the services of the additional primary financing team members in order to begin the bond issuance process.

The purpose of the attached resolution is to authorize Successor Agency Staff to move forward with the process of refunding its 2005 TARBs by approving the recommended selection of additional primary financing team members, including the Bond Counsel, Disclosure Counsel, Fiscal Consultant and Underwriter (or, in the event of a private placement, Placement Agent). Once all of the primary financing team members are selected, the Municipal Advisor will prepare a debt service savings analysis to determine compliance with savings parameters under Section 34177.5 of the State Health and Safety Code.

Below is a brief description of the roles and activities of the primary members of the financing team:

Municipal Advisor

Urban Futures, Inc. (UFI) was previously selected by the City of Fullerton, which includes the Fullerton Successor Agency, to serve as its Municipal Advisor (MA) for a period of three years. UFI was retained to assist in the structuring and issuance of bonds either through a competitive or negotiated sale process. The MA represents municipalities in the sale of bonds, with an explicit fiduciary duty to the municipalities. Among its duties, the MA often assists the City in the solicitation of requests for proposals for other primary members of the team.

Bond Counsel

Staff is recommending that Stradling Yocca Carlson & Rauth be selected as the Successor Agency's Bond Counsel for this assignment. The Bond Counsel is a law firm that has specialized legal experience in the issuance of municipal bonds. The Bond Counsel is charged with drafting the legal bond documents and ensuring that all legal requirements critical to the validity of the bonds are satisfied.

Disclosure Counsel

Staff is recommending that Jones Hall be selected as the Successor Agency's Disclosure Counsel for this assignment. The Disclosure Counsel assists with the preparation of the official statement and the continuing disclosure agreement and helps facilitate preparation of the final (closing) documentation.

Fiscal Consultant

Staff is recommending that UFI also be selected as the Successor Agency's Fiscal Consultant for this assignment. The Fiscal Consultant prepares a Fiscal Consultant's Report that is used as an exhibit in the bond issue's official statement. The Report includes information and data related to the project area including a projection of the future tax increment expected to be received by the Successor Agency for the remaining term of the bonds.

Underwriter

Staff is recommending that Stifel be selected as the Underwriter (or, in the event of a private placement, Placement Agent) for this assignment. The Underwriter is an investment banking firm that assists in structuring the bonds, assists the team with the bond rating and credit enhancement process and markets / sells the bonds to potential investors. In the event of a private placement of the bonds, Stifel will act as Placement Agent. Placement Agent is an investment banking firm that will be tasked with finding a purchaser or purchasers for the bonds.

Steps Related to 2020 Tax Allocation Refunding Bonds

The remaining steps for formal approval are as follows:

- 1) Approval of identified financing team members pending City Council approval
- 2) Bond Counsel prepares the appropriate documentation for the issuance of the refunding bonds

- 3) Successor Agency Board reviews the documentation and approves the refunding, moving the item to the Oversight Board
- 4) Oversight Board reviews the documentation and approves the refunding, moving the documentation to County Auditor-Controller and the DOF
- 5) DOF will have sixty days to review and reply with formal approval / denial
- 6) Disclosure Counsel prepares the official statement
- 7) Municipal Advisor prepares the rating presentation and financing team meets with rating agency
- 8) Municipal Advisor solicits insurance and surety bids
- 9) Successor Agency Board reviews and approves the official statement
- 10) Post the preliminary official statement
- 11) Sell the bonds
- 12) Close the transaction.

Attachments:

- Attachment 1 – Draft Resolution No. SA 2020-XX
- Attachment 2 – Draft Bond Counsel Engagement Letter – Stradling Yocca Carlson & Rauth
- Attachment 3 – Draft Disclosure Counsel Engagement Letter – Jones Hall
- Attachment 4 – Draft Fiscal Consultant Engagement Letter –Urban Futures, Inc.