



AGENDA REPORT

Meeting Date: November 5, 2009

Item Number: D-2

To: Honorable Chair and Public Financing Authority Directors

From: Scott G. Miller, Director of Administrative Services/CFO
Noel Marquis, Assistant Director of Administrative Services - Finance

Subject: **RESOLUTION OF THE CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF LEASE REVENUE BONDS IN ONE OR MORE SERIES IN THE INITIAL PRINCIPAL AMOUNT OF NOT TO EXCEED \$12,000,000 IN CONNECTION WITH FINANCING A PUBLIC CAPITAL IMPROVEMENT CONSISTING OF WATER TANKS AND IN THE INITIAL PRINCIPAL AMOUNT OF NOT TO EXCEED \$75,000,000 IN CONNECTION WITH REFINANCING CERTAIN OUTSTANDING LEASE REVENUE BONDS OF THE AUTHORITY, AUTHORIZING AND DIRECTING EXECUTION OF AN INDENTURE, A PROPERTY LEASE, A SITE AND FACILITY LEASE, ESCROW AGREEMENTS AND CERTAIN OTHER DOCUMENTS, AUTHORIZING THE NEGOTIATION OF THE SALE OF BONDS, APPROVING AN OFFICIAL STATEMENT, AND AUTHORIZING OTHER RELATED ACTIONS**

Attachments:

1. Resolution
2. Bond Documents

RECOMMENDATION

Staff recommends that the City Council of the City of Beverly Hills approve, authorize and execute certain bond (financing) documents and direct related actions in connection with financing and refinancing certain improvement in an amount not-to-exceed \$87,000,000.

INTRODUCTION

As discussed with the City Council at the February 8, 2008 Study Session the City's financial policies suggest that long-term financing be considered for one-time large capital projects for both governmental funds and the City's proprietary enterprise funds. After careful analysis, staff is recommending moving forward with Phase III of the

proposed capital projects program which includes replacement of several water storage tanks owned by the City's Water Enterprise Fund that have reached end of life and require replacement. In addition, the City once again has an opportunity to refund portions of two earlier debt issues at much lower interest rates that would save the City substantial costs over the remaining lives of those issues.

DISCUSSION

The City has been under an ambitious capital revitalization and improvement effort for the last several years. Phase I of this plan began in fiscal year 2006/2007 with the issue of the Lease Revenue and Water Revenue bonds. Phase II of the program included three bond issues that provide the funding for the buyout of the Water Treatment Plant, refunding 1998 Water and Wastewater debt issues, construction of a new parking structure and a commercial real estate loan that provided the funding for the 331 Foothill office building currently nearing the completion.

Since then, a number of additional major capital projects identified as Phase III have been conceptually developed and were listed in the FY 2009/2010 Capital Improvement Budget. As indicated at the City Budget Hearings in May and June, 2009 some of these projects will require debt financing to be constructed and/or implemented. Presently, staff is seeking City Council approval to issue debt that will provide the funding for the replacement of four Water Enterprise Fund Water Storage Tanks that have reached the end of their service lives. Further, as a result of the current economic conditions the City has the opportunity to refund and defease in full the outstanding bonds of the Authority captioned "Lease Revenue Bonds, 1999 Refunding Series A," refund and defease in full the outstanding bonds of the Authority captioned "City of Beverly Hills Public Financing Authority Lease Revenue Bonds, 2001 Refunding Series A," thereby realizing a substantial economic savings.

The following actions are necessary to approve the bond financings contemplated;

- For the purpose of raising funds necessary to finance a public capital improvement of the City and to refund all or a portion of the Authority's outstanding Lease Revenue Bonds, 1999 Refunding Series A and all or a portion of the Authority's Lease Revenue Bonds, 2001 Refunding Series A (collectively, the "Prior Bonds"), the Authority proposes to authorize the issuance of its revenue bonds in one or more series under the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), to be designated as the City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project) (the "Bonds"); and
- Pursuant to a Site and Facility Lease (the "Site Lease"), the City will lease to the Authority certain real property (the "Site") and the improvements thereon (the "Facilities" and, together with the Site, the "Leased Property"), initially consisting of the City's Police Department Headquarters, the City's Fire Department Headquarters and the City Hall parking lot; and
- Pursuant to a Property Lease between the City and the Authority (the "Property Lease"), the City will lease the Leased Property from the Authority, and the Authority will use the lease payments paid by the City to the Authority under the Property Lease to pay debt service on the Bonds; and

Meeting Date: November 5, 2009

- The Board of Directors (the "Board") of the Authority must duly consider these transactions and decided at this time to approve these transactions and make certain findings regarding significant public benefits to the Authority's members with respect to these transactions

Adoption of the proposed resolutions by the Board of Directors of the City of Beverly Hills Public Financing Authority will authorize and approve the documents listed in each resolution.

FISCAL IMPACT

This bond financing has been included within the City's long range financial planning and budget process. Savings from the refinancing of the 1999 and 2001 debt are estimated to save the City between \$5 and \$7 million depending on the final interest costs on the day of the new bond issue.



Noel Marquis
Finance Approval



Scott G. Miller, PHD
Approved By

Attachment 1

Resolution

RESOLUTION NO. PFA 09-R-___

RESOLUTION OF THE CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF LEASE REVENUE BONDS IN ONE OR MORE SERIES IN THE INITIAL PRINCIPAL AMOUNT OF NOT TO EXCEED \$12,000,000 IN CONNECTION WITH FINANCING A PUBLIC CAPITAL IMPROVEMENT CONSISTING OF WATER TANKS AND IN THE INITIAL PRINCIPAL AMOUNT OF NOT TO EXCEED \$75,000,000 IN CONNECTION WITH REFINANCING CERTAIN OUTSTANDING LEASE REVENUE BONDS OF THE AUTHORITY, AUTHORIZING AND DIRECTING EXECUTION OF AN INDENTURE, A PROPERTY LEASE, A SITE AND FACILITY LEASE, ESCROW AGREEMENTS AND CERTAIN OTHER DOCUMENTS, AUTHORIZING THE NEGOTIATION OF THE SALE OF BONDS, APPROVING AN OFFICIAL STATEMENT, AND AUTHORIZING OTHER RELATED ACTIONS

WHEREAS, the City of Beverly Hills (the "City") and the Parking Authority of the City of Beverly Hills have entered into a Joint Exercise of Powers Agreement establishing the City of Beverly Hills Public Financing Authority (the "Authority") for the purpose, among others, of issuing its bonds to be used to finance the acquisition, construction and improvement of certain public capital improvements in the City; and

WHEREAS, for the purpose of raising funds necessary to finance a public capital improvement of the City and to refund all or a portion of the Authority's outstanding Lease Revenue Bonds, 1999 Refunding Series A and all or a portion of the Authority's Lease Revenue Bonds, 2001 Refunding Series A (collectively, the "Prior Bonds"), the Authority proposes to authorize the issuance of its revenue bonds in one or more series under the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), to be designated as the City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project) (the "Bonds"); and

WHEREAS, pursuant to a Site and Facility Lease (the "Site Lease"), the City will lease to the Authority certain real property (the "Site") and the improvements thereon (the "Facilities" and, together with the Site, the "Leased Property"), initially consisting of the City's Police Department Headquarters, the City's Fire Department Headquarters and the City Hall parking lot; and

WHEREAS, pursuant to a Property Lease between the City and the Authority (the "Property Lease"), the City will lease the Leased Property from the Authority, and the Authority will use the lease payments paid by the City to the Authority under the Property Lease to pay debt service on the Bonds; and

WHEREAS, the proceeds of the Bonds will be used by the City to acquire, construct and install water tanks (the "Improvement") and to refund all or a portion of the Prior Bonds; and

WHEREAS, the Authority desires to prepare and make available to potential investors an official statement relating to the Bonds containing information to be used in connection with the sale of Bonds; and

WHEREAS, the Board of Directors (the "Board") of the Authority has duly considered these transactions and wishes at this time to approve these transactions and make certain findings regarding significant public benefits to the Authority's members with respect to these transactions;

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD OF DIRECTORS OF THE CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY, as follows:

Section 1. Findings and Determinations. Pursuant to the Act, the Board hereby finds and determines that the issuance of the Bonds and the transactions related thereto, including the financing of the Improvement, will result in significant public benefits to its members within the contemplation of Section 6586 of the Act.

Section 2. Issuance of Bonds; Approval of Indenture. The Board hereby authorizes the issuance of the Bonds in one or more series in the maximum principal amount of not to exceed \$12,000,000 in connection with financing the Improvement and \$75,000,000 in connection with refinancing the Prior Bonds. The Bonds shall be issued in one or more series pursuant to an Indenture (the "Indenture") by and between the Authority and the Trustee (hereinafter defined). The Board hereby approves the Indenture in the form on file with the Secretary of the Authority (the "Secretary"), together with such additions thereto and changes therein as the Executive Director of the Authority or the Chief Financial Officer of the Authority, or the written designee of any of them (each, a "Designated Officer"), deems necessary, desirable or appropriate upon consultation with bond counsel to the Authority, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Indenture for and in the name and on behalf of the Authority. The Board hereby authorizes the performance by the Authority of its obligations under the Indenture. The foregoing authorization is expressly conditioned upon the satisfaction of the following parameters with respect to the Bonds: (i) the combined aggregate principal amount of Bonds may not exceed \$87,000,000, (ii) net interest cost of the Bonds may not exceed 6.00%, (iii) the underwriter's discount (exclusive of any original issue discount) payable with respect to the Bonds may not exceed 1.00%, and (iv) the refunding of the Prior Bonds must produce present value debt service savings, based on a comparison of the debt service on the Prior Bonds against debt service payable on the portion of the Bonds allocable to the refunding, of at least 3%.

Section 3. Approval of Property Lease and Site Lease. The Board hereby approves the form of the Property Lease and Site Lease by and between the Authority and the City in the form on file with the Secretary together with such additions thereto and changes therein as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final forms of the Property Lease and Site Lease for and in the name of and on behalf of the Authority. The Authority hereby authorizes the performance by the Authority of its obligations under the Property Lease and Site Lease.

Section 4. Sale of Bonds. The Authority hereby authorizes and directs the Chief Financial Officer of the Authority to sell the Bonds pursuant to a negotiated sale to E. J. De La Rosa & Co., Inc. (the "Underwriter"). The Authority hereby approves the form of the Bond Purchase Agreement on file with the Secretary, with such additions thereto and changes therein as Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions or changes, provided that any such addition or change must comply with the parameters contained in Section 2 hereof. The Designated Officers, each acting alone, are hereby authorized and directed to execute the Bond Purchase Agreement and to take all actions necessary to fulfill the Authority's obligations thereunder.

Section 5. Official Statement. The Board hereby approves the form of Official Statement relating to the Bonds (the "Official Statement") on file with the Secretary, together with such changes or additions thereto as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, and authorizes the Designated Officers, each acting alone, to deem a preliminary form of the Official Statement final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, except for omissions permitted therein. Distribution of the preliminary form of Official Statement by the Underwriters is hereby approved. The Designated Officers, each acting alone, are hereby authorized to execute the final form of the Official Statement with such changes or additions as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, and the execution of the final Official Statement by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Board hereby authorizes the distribution of the final Official Statement.

Section 6. Escrow Agreements. The Authority hereby approves the forms of the Escrow Agreements relating to the refunding of the Prior Bonds (collectively, the "Escrow Agreements") both between the Authority and U.S. Bank National Association, as escrow agent, in the form on file with the Secretary together with such additions thereto and changes therein as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final forms of the Escrow Agreements for and in the name of and on behalf of the Authority. The Authority hereby authorizes the performance by the Authority of its obligations under the Escrow Agreements and the refunding of the Prior Bonds described therein.

Section 7. Selection of Trustee. The Board hereby authorizes and directs the Chief Financial Officer to appoint U.S. Bank National Association, as trustee (the "Trustee") for the Bonds, and authorizes the Designated Officers to negotiate the fees for trustee services in the name of and on behalf of the Authority.

Section 8. Municipal Bond Insurance and Surety Bond. The Designated Officers, each acting alone, are hereby authorized and directed to obtain a municipal bond insurance policy and/or a reserve fund surety bond for the Bonds if it is determined, upon consultation with the financial advisor to the Authority and the City, that such municipal bond insurance policy and/or a reserve fund surety bond will reduce the true interest costs for the Bonds or otherwise enable the Authority to achieve additional savings with respect to the Bonds.

Section 9. Official Actions. The Designated Officers, the Secretary and any and all other officers of the Authority are hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things and take any and all actions, including execution and delivery of any and all documents, assignments, certificates, requisitions, agreements, including amendments to the leases relating to the Prior Bonds to release all or a portion of the property leased thereby, notices, consents, instruments of conveyance, warrants and documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the Bonds and the consummation of the transactions as described herein, including without limitation, a continuing disclosure certificate and such documents, assignments, certificates and agreements as may be required by the Indenture, the Property Lease, the Site Lease, the Escrow Agreement and any and all other documents and agreement approved hereunder. The Designated Officers, the Secretary and any and all other officers of the Authority are also hereby authorized and directed, for and in the name of and on behalf of the Authority, and without any further action by this Board of Directors, to do any and all things and take any and all actions, including execution and delivery of any and all documents, assignments, certificates, requisitions, agreements, and amendments to the Property Lease and the Site Lease in order to substitute or release all or a portion of the property leased thereby.

Adopted and approved this 5th day of November, 2009.

Nancy Krasne, Chair

ATTEST:

Byron Pope, Secretary

Approved as to form:

Scott Ferguson
Jones Hall, APLC
Bond Counsel

Approved as to content:

Roderick J. Wood, Executive Director



Scott Miller, Chief Financial Officer

Attachment 2

Bond Documents

See Item D-1, Attachment No. 2