



AGENDA REPORT

Meeting Date: January 24, 2013

Item Number: E-1

To: Honorable Mayor & City Council

From: Noel Marquis, Acting Chief Financial Officer / Director, Administrative Services
Mark A. Brower, Senior Budget & Financial Analyst

Subject: **RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS AUTHORIZING THE ISSUANCE AND SALE OF SPECIAL TAX REFUNDING BONDS AND APPROVING RELATED DOCUMENTS AND ACTIONS IN CONNECTION WITH COMMUNITY FACILITIES DISTRICT NO. 2002-A (BUSINESS TRIANGLE) OF THE CITY OF BEVERLY HILLS**

Attachments:

1. Resolution
2. Bond Documents
3. Estimated Debt Service Schedule
4. Map of Community Facilities District

RECOMMENDATION

Staff recommends the City Council of the City of Beverly Hills approve, authorize and execute certain Bond (financing) documents and direct related actions in connection with the issuance of Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills 2013, Special Tax Refunding Bonds, in an amount not-to-exceed \$14,000,000 ("2013 Bonds") in order to refinance the outstanding Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills Special Tax Bonds, Series 2002 ("2002 Bonds").

INTRODUCTION

In 2002, under the Mello-Roos Community Facilities Act of 1982 as amended ("Act"), the City Council formed the City of Beverly Hills Community Facilities District (CFD) No. 2002-A (Business Triangle) to authorize the levy of special taxes upon the land within the CFD, and to issue Bonds secured by those special taxes, the proceeds of which were authorized to be used to finance or refinance certain public improvements.

Under the Act, the City issued, for and on behalf of the CFD, the 2002 Bonds in the initial principal amount of \$16,215,000 with a term of 25 years payable from the special tax revenue. The general fund of the City is not responsible for making the debt service

payments, and neither the credit nor the taxing power of the City is pledged for the payment of these Bonds.

The proceeds of the 2002 Bonds were used to enhance the public streets and sidewalks in the Business Triangle. The streets include Rodeo Drive, Beverly Drive, Canon Drive, Brighton Way and Dayton Way. Improvements include the widening of sidewalks, replacement of street trees and lights, installation of street furniture, and use of various materials and textures for pavement for general enhancement of the streetscape.

In order to realize debt service savings based on current market conditions, Staff recommends refinancing the outstanding principal amount of the 2002 Bonds.

DISCUSSION

Overview

The City Council of the City of Beverly Hills acts as the legislative body of the CFD and is authorized under the Mello-Roos Community Facilities Act of 1982 to levy special taxes to pay for the costs of facilities within the CFD and to authorize the issuance of Bonds secured by those special taxes under the Act.

Under the Act, the City, on behalf of the CFD, previously issued its 2002 Bonds in the aggregate original principal amount of \$16,215,000.

The District is fully developed and consists of land located within the City commonly known as the "Business Triangle." The Business Triangle is bound by or includes Beverly Drive, Brighton Way, Canon Drive, Dayton Way and Rodeo Drive, in the area between Wilshire Boulevard and Santa Monica Boulevard. A map of the CFD is included as Attachment 4.

The current average interest rate on the outstanding Bonds is 4.9%. Staff recommends refunding the outstanding Bonds to take advantage of historically low interest rates. After refunding, the interest rate for the bonds is expected to decrease to 3.3%. This refinancing is projected to save CFD members an estimated \$3,395,800 over 15 years with a net present value of \$1,554,000.

On December 4, 2012, Staff presented the City Council with two options for the use of the savings that will result from this refunding.

Option 1 utilized a portion of the savings to fund enhancements to the CFD and transferred the remaining savings to members of the CFD through reduced Special Tax rates for the remaining life of the bonds.

Option 2 transferred the entire savings to members of the CFD through reduced Special Tax rates for the remaining life of the bonds.

Outreach

On December 4, 2012, the Council directed Staff to conduct outreach to the CFD members to determine their preference for Option 1 or Option 2.

Letters outlining the refunding options were mailed to CFD members on December 12, 2012, December 26, 2012 and January 10, 2013. Four information sessions were held

to ensure CFD members had the opportunity to be fully educated on their options. Two of the information sessions were held in-person in Beverly Hills, one in the early morning and one in the late afternoon. The third information session was held online through the use of a webinar. The webinar was recorded and made available to anyone who wasn't able to attend one of the three live information sessions. Finally, in collaboration with the Chamber of Commerce Government Affairs Committee, a fourth meeting was held to review the summary of the feedback received from CFD members.

Additionally, CFD members had the opportunity to contact City Staff directly with questions and members were provided the opportunity to express their option preference by completing a simple printed or online feedback form.

Outreach Results

In total, 27 CFD members or their representatives, representing 45 separate parcels attended at least one information session.

In total, 40 of the 45 parcels submitted their Option preference. 33 of the 40 (82.5%) parcels preferred Option 2: transfer the entire savings to members of the CFD directly through reduced Special Tax rates for the remaining life of the bonds.

Staff collected member feedback throughout the outreach process. Specific feedback from CFD members included:

- The tax reduction could be passed on as savings for tenants over the remaining life of the bond (which may help keep businesses in Beverly Hills);
- Additional capital improvements should be funded by the community as a whole, not by a specific group of property owners;
- Some felt 'overtaxed' by the current assessment;
- Since the savings cannot be used for project operational/maintenance costs there was a concern about these costs translating into more taxes for the property owners/tenants in the future; and
- City should have allowed more time (90 days minimum) to get as many owners input as possible.

Recommendation

Based on the feedback received from the CFD members, Staff recommends Option 2: transfer the entire savings to members of the CFD directly through reduced Special Tax rates for the remaining life of the bonds.

The outstanding principal amount of the 2002 Bonds will be refinanced in order to realize debt service savings based on current market conditions. The new 2013 Bonds will be captioned "Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills 2013 Special Tax Refunding Bonds.

Adoption of the proposed resolution by the City Council of the City of Beverly Hills will authorize and approve the following:

- Authorizes the issuance of the 2013 Bonds in order to refinance the 2002 Bonds;
- Authorizes the City Manager and Director of Administrative Services and CFO to execute and deliver documents related to the refinancing;
- Approves the Fiscal Agent Agreement;

- Approves the Preliminary Official Statement;
- Approves the Final Official Statement;
- Authorizes continuing disclosures;
- Authorizes the Bond Purchase Agreement; and
- Approves agreements with Bond Counsel and Disclosure Counsel

FISCAL IMPACT

The CFD annually levies a Special Tax on the property within the CFD. The Bonds that are issued for the CFD are secured by and payable from a first pledge of the net proceeds of the Special Tax.

The general fund of the City is not responsible for these payments and, neither the credit nor the taxing power of the City is pledged for the payment of these Bonds. The collection of the taxes used to pay the 2013 Bond's debt service and administrative fees is collected by the County of Los Angeles Assessor. This tax is added to the general County property tax bill and must be paid together with all County property taxes.

Subject to the final interest rate secured for the 2013 Bonds, which is projected to average 3.3%, this refinancing is estimated to save CFD members an estimated \$3,395,800 over 15 years with a net present value of \$1,554,000.

The annual projected savings for taxpayers within the CFD will be:

Top Tax Payer: \$8,000/year
Median Tax Payer: \$1,100/year
Lowest Tax Payer: \$350/year

The cost to issue the 2013 Bonds will be paid from the proceeds of the 2013 Bonds.



Noel Marquis

Approved By