



## Legislation Text

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**File #:** CIC-10, **Version:** 1

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**TO:**

Honorable Mayor and Members of the City Council

**THROUGH:**

Bruce Moe, City Manager

**FROM:**

Steve S. Charelian, Finance Director/Chief Financial Officer

Julie Bondarchuk, Financial Controller

Libby Bretthauer, Financial Services Manager

**SUBJECT:**

Consideration of a Resolution of the Capital Improvements Corporation Approving the Issuance of Refunding Certificates of Participation Not to Exceed \$8.0 Million to Refinance Outstanding Certificates of Participation and Related Documents (Finance Director/CFO Charelian).

**ADOPT RESOLUTION NO. CIC-11**

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**RECOMMENDATION:**

Staff recommends that the Corporation Board of Directors adopt Resolution No. CIC-11.

**FISCAL IMPLICATIONS:**

There are no fiscal implications associated with the recommended action.

**BACKGROUND:**

Please Note: This staff report is a counterpart of a corresponding item on General Business on the City Council agenda, which is hereby incorporated by this reference. The proposed refunding requires action by both the City Council and the Manhattan Beach Capital Improvements Corporation ("CIC" hereinafter).

The CIC was formed in 1996 to facilitate issuance of debt for improvements to the water and wastewater systems. Since then, it has been used for the Police/Fire Facility, Metlox Improvements and Marine Avenue Sports Fields.

City Councilmembers serve CIC Board Members. The bylaws of the Corporation state that the President and Vice President of the Corporation must be elected from the members of the City Council. Typically, the current Mayor serves as the President, with the Mayor Pro Tem serving as the Vice President. On September 9, 2021, the Capital Improvements Corporation Board elected Mayor Stern as President and Mayor Pro Tem Napolitano as Vice President. Appointed positions include the City Manager serving as the Capital Improvements Corporation's Chief Administrative Officer, and the City's Finance Director serving as the Chief Financial Officer.

**DISCUSSION:**

The City's Certificates of Participation (Metlox and Water/Wastewater Refunding) Series 2012 (2012 COPs) are currently outstanding in the principal amount of \$7,695,000, of which \$6,985,000 is callable starting January 1, 2022. The 2012 COPs are eligible for a tax-exempt refunding 90 days before the call date at the earliest and in the current market, may be refinanced for debt service savings.

In order to refinance the 2012 COPs, a new series of Refunding Certificates of Participation (2021 Refunding COPs) will be issued as a General Fund lease. In consultation with Bond Counsel, the Underwriter (BofA Securities, Inc.) and Municipal Advisor, it was determined that it is advantageous to issue the 2021 Refunding COPs pursuant to a lease related to City Hall. This property, along with Parking Lot #3, currently serves as the leased assets securing the 2012 COPs. Given the lower borrowing amount of the Refunding COPs, Parking Lot #3 can be released as an asset.

Issuing the 2021 Refunding COPs under the City Hall lease results in the COPs being more attractive to investors since the City is pledging an essential facility as collateral. In doing so, investors are reassured that the City will continue to make lease payments in order to retain the use of the facility, and in turn, are willing to accept a lower yield, resulting in a lower cost of borrowing for the City. As a result, the documents presented for City Council and Capital Improvements Corporation approval reflect that structure.

A preliminary refunding analysis indicates total budget savings of approximately \$680,000 or average annual savings of \$68,000. The net present value savings is approximately \$639,000 or 8.3% of the refunded 2012 COPs.

There are several documents associated with the refinancing. In the interest of source reduction, the documents to be approved are presented once with the General Business item on the City Council agenda.

Staff is requesting that the Board of Directors adopt Resolution No. CIC-11 approving the refinancing of the 2012 COPs through the issuance of the 2021 COPs. If approved, the refinancing is expected to be completed by December 15, 2021.

#### **PUBLIC OUTREACH:**

After analysis, staff determined that public outreach was not required for this issue.

#### **ENVIRONMENTAL REVIEW:**

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

#### **LEGAL REVIEW:**

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary. Bond Counsel has prepared the draft resolution and approved it as to form.

#### **ATTACHMENT:**

1. Resolution No. CIC- 11

