

RESOLUTION NO. 2015-25

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA  
RECEIVING AND DISCUSSING INFORMATION RELATED TO ISSUANCE OF 2015  
GENERAL OBLIGATION REFUNDING BONDS

WHEREAS, on June 11, 1998 the City issued \$780,000 of General Obligation Refunding Bonds to refund outstanding 1989 General Obligation Bonds used to finance acquisition of land underlying, and construction of, the Public Improvement Project known as The Marina Public Safety Facility (also known as the Marina Public Safety Building); and

WHEREAS, on June 8, 2005 the City issued \$8,000,000 of General Obligation Bonds Election of 2002, Series 2005 to fund construction of a new library facility; and

WHEREAS, both of these Bonds can now be refunded together at lower interest rates to provide savings to the City taxpayers due to the current low interest rate environment; and

WHEREAS, the City Council received information on the potential financing savings of the 2015 General Obligation Refunding Bonds, which are estimated to produce net present value savings of approximately 12% or \$980,000, and average annual savings of \$90,000 through 2035; and

WHEREAS, this financial savings will directly benefit the Marina tax payers by lowering the amount of their levy for the remaining term of the bond issue; and

WHEREAS, the financing figures and savings in this report are subject to change in the financial market and exact figures will be known after finalizing the transaction; and

WHEREAS, City Council received for information purpose only **EXHIBIT A** the draft resolution of issuance and execution of certain documents, which the City Council will consider on April 7, 2015, which is necessary to allow City Staff and the City's consultants to complete the refunding.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Marina to have received and discussed information related to issuance of 2015 General Obligation Refunding Bonds.

PASSED AND ADOPTED by the City Council of the City of Marina at a regular meeting duly held on the 3<sup>rd</sup> day of March 2015, by the following vote:

AYES: COUNCIL MEMBERS: Amadeo, Brown, Morton, O'Connell, Delgado

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: None

ABSTAIN: COUNCIL MEMBERS: None

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Frank O'Connell, Mayor Pro-Tem

ATTEST:

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Anita Sharp, Deputy City Clerk

# EXHIBIT A

## FOR INFORMATIONAL PURPOSE ONLY

RESOLUTION NO. 2015-TBD

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA  
AUTHORIZING THE ISSUANCE OF ITS 2015 GENERAL OBLIGATION  
REFUNDING BONDS, AUTHORIZING AND DIRECTING THE  
EXECUTION OF A PAYING AGENT AGREEMENT AND CERTAIN  
OTHER RELATED DOCUMENTS, AND AUTHORIZING ACTIONS  
RELATED THERETO**

WHEREAS, the City of Marina has heretofore issued the following general obligation bonds:

- (i) \$780,000 1998 General Obligation Refunding Bonds (the “1998 Bonds”); and
- (ii) \$8,000,000 General Obligation Bonds, Election of 2002, Series 2005 (the “2005 Bonds”);

WHEREAS, the City now desires to issue its 2015 General Obligation Refunding Bonds (the “Bonds”) in order to refund, on a current basis, the 1998 Bonds and the 2005 Bonds (collectively, the “Prior Bonds”), in order to achieve debt service savings and lower the property tax override levied on the property owners of the City to pay debt service on the Prior Bonds; and

WHEREAS, to provide for development of the most favorable debt structure for the City and to ensure the most favorable reception in the market place for the Bonds, the City has determined to sell the Bonds by negotiated sale pursuant to the terms of a Bond Purchase Agreement (the “Bond Purchase Agreement”) by and between the City and \_\_\_\_\_, as underwriter (the “Underwriter”); and

WHEREAS, the City Council of the City has duly considered such transactions and desires at this time to approve said transactions and the documents related thereto;

**NOW, THEREFORE, BE IT RESOLVED**, by the City Council of the City of Marina, as follows:

**Section 1. Findings and Determinations.** Pursuant to Section 53552 of the Refunding Law (hereinafter defined), the City Council of the City hereby finds and determines that the prudent management of the fiscal affairs of the City requires that the Bonds be issued under the authority of Articles 9 and 11 (commencing with Section 53550) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the “Refunding Law”), the Paying Agent Agreement (as defined below) and this Resolution. The total net interest cost to maturity

on the Bonds plus the principal amount of the Bonds shall not exceed the total net interest cost to maturity on the Prior Bonds plus the principal amount of the Prior Bonds.

**Section 2. Approval of Paying Agent Agreement.** The proposed form of Paying Agent Agreement by and between the City and \_\_\_\_\_ (the "Paying Agent"), which is on file with the City Clerk (the "Paying Agent Agreement") is hereby approved, and the Mayor, the City Manager and the Finance Director of the City (collectively, the "Authorized Officers"), each acting alone, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Paying Agent Agreement in substantially said form, with said additions thereto (including the insertion of the maturity dates, principal amounts and interest rates of the Bonds) and changes therein as the Authorized Officers, each acting alone, may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 3. Approval of Form of Bonds.** The form of Bonds set forth in the form of Paying Agent Agreement is hereby approved, and the Authorized Officers of the City, each acting alone, are hereby authorized and directed to execute the Bonds in the name and on behalf of the City, and the City Clerk is hereby authorized and directed to attest the Bonds in the name and on behalf of the City and under its seal. The Authorized Officers shall cause the delivery of the Bonds as provided for below.

**Section 4. Sale and Issuance of Bonds.** The City Council of the City hereby approves the sale of the Bonds by negotiation pursuant to the Bond Purchase Agreement in substantially the form on file with the City Clerk together with any changes therein or additions thereto approved by an Authorized Officer, whose execution thereof shall be conclusive evidence of approval to any such changes or additions. The Bond Purchase Agreement shall be executed in the name and on behalf of the City by an Authorized Officer, who is hereby authorized and directed to execute and deliver said form of Bond Purchase Agreement on behalf of the City. Notwithstanding anything herein to the contrary, the Bonds shall be issued only if such issuance results in present value debt service savings of not less than 3.00%, and the Underwriter's discount or fee (excluding original issue discount, if any) for the Bonds shall not exceed \_\_\_% of the principal amount of the Bonds. Pursuant to Section 53583(c)(1) of the Government Code of the State of California, the Bonds shall be sold on a negotiated basis and at a price, above or below par, as the Authorized Officer executing the Bond Purchase Agreement determines.

In order to achieve the debt service savings specified in the preceding paragraph, the City Manager and the Finance Director of the City may determine to refund less than all of the Prior Bonds.

**Section 5. Approval of Preliminary and Final Official Statement.** The form of Preliminary Official Statement as presented to this meeting is hereby approved. The Authorized Officers are hereby authorized and directed, for and on behalf of the City, to execute all certificates necessary to deem final the Preliminary Official Statement as of its date, with the exception of certain final pricing and related information. The Authorized Officers are hereby authorized and directed, for and on behalf of the City, to execute and deliver the final Official Statement. The use and distribution of said Preliminary Official Statement and use and distribution of the final Official Statement in connection with the sale of the Bonds is hereby ratified and approved.

**Section 6. Bond Insurance.** The City Manager and the Finance Director of the City, each acting alone, are hereby authorized to take any and all action that they deem necessary to qualify the bonds for municipal bond insurance.

**Section 7. Delegation of Authority to Authorized Officer.** The Authorized Officers are hereby authorized and directed to execute, sign and deliver any and all approvals, certificates, statements, requests, requisitions and orders of the City in connection with the sale and issuance of the Bonds, the purchase of the Bonds and the other transactions described herein. The Authorized Officers may authorize such other officers of the City as they deem appropriate to undertake any of the actions that he is authorized or directed to undertake pursuant hereto

**Section 8. General Authority.** The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the transactions described herein or to otherwise effectuate the purposes of this resolution, including refunding instructions or directions relating to the defeasance and redemption of the Prior Bonds and preparing, or causing to be prepared, and executing all appropriate disclosure documents relating to the Bonds and agreements necessary to comply with the disclosure requirements of Rule 15c2-12, as amended, of the Securities and Exchange Commission. Any such actions previously taken by such officers are hereby ratified and confirmed.

**Section 9. Severability.** If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect any remaining provisions hereof.

**Section 10. Effective Date.** This resolution shall take effect from and after the date of its passage and adoption.

PASSED, APPROVED AND ADOPTED this 7th day of April, 2015, by the following roll call vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

CITY OF MARINA

\_\_\_\_\_  
Mayor

ATTESTED:

\_\_\_\_\_  
City Clerk

I HEREBY CERTIFY that the foregoing resolution was duly and regularly passed and adopted by the City Council of the City of Marina at a regular meeting thereof held on the 7th day of April, 2015, and that the foregoing is a full, true and correct copy of said Resolution.

\_\_\_\_\_  
City Clerk

February 26, 2015

Item No. **11b**

Honorable Mayor and Members  
of the Marina City Council

City Council Meeting  
of March 3, 2015

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2015-,  
RECEIVING AND DISCUSSING INFORMATION RELATED TO  
ISSUANCE OF 2015 GENERAL OBLIGATION REFUNDING BONDS**

**REQUEST:**

It is requested that the City Council consider adopting Resolution No. 2015-, receiving and discussing information related to issuance of 2015 General Obligation Refunding Bonds.

**BACKGROUND:**

On June 11, 1998 the City issued \$780,000 of General Obligation Refunding Bonds to refund outstanding 1989 General Obligation Bonds used to finance acquisition of land underlying, and construction of, the Public Improvement Project known as The Marina Public Safety Facility (also known as the Marina Public Safety Building). On June 8, 2005 the City issued \$8,000,000 of General Obligation Bonds Election of 2002, Series 2005 to fund construction of a new library facility. Both of these Bonds can now be refunded together at lower interest rates to provide savings to the City taxpayers due to the current low interest rate environment. The Resolution and documents to be considered by the City Council at the April 7, 2015 are necessary to allow City Staff and the City's consultants to complete the refunding. ("**EXHIBIT A**") is for informational purpose only, and illustrates the resolution of issuance document which Council will consider on April 7<sup>th</sup>.

**ANALYSIS:**

The existing 1998 General Obligation Refunding Bonds have an outstanding balance of \$285,000 at a current interest rate of 5.60% and mature on August 1, 2019. The General Obligation Bonds Election of 2002, Series 2005 have an outstanding balance of \$7,885,000 at interest rates ranging from 3.50% to 5.25% and mature on August 1, 2035. Based on current bond market conditions, the City will be able to issue 2015 General Obligation Refunding Bonds at interest rates ranging from 2.00% to 5.00% producing net present value savings of approximately 12% or \$980,000, and average annual savings of \$90,000 through 2035. This will directly benefit the Marina tax payers by lowering the amount of their levy for the remaining term of the bond issue. The estimated net present value savings is approximately 12% factoring in all costs associated with the refunding, well above the 3 to 5% savings threshold recommended by the Government Finance Officers Association (GFOA).

The financing figures and savings in this report are subject to change in the financial market and exact figures will be known after finalizing the transaction.

**Tonight's Discussion and Steps to Complete the Refunding** – The purpose of tonight's discussion is to brief the City Council on the current status and documents that will need to be considered and approved at the April 7<sup>th</sup> City Council meeting. City Staff and its consultants will finalize all legal and financing documents over the next 30 days, select a Bond Underwriter and Paying Agent, secure an underlying credit rating from Standard & Poor's and procure bond insurance. After the April 7<sup>th</sup> City Council meeting, the 2015 General Obligation Refunding Bonds will be priced in mid-April and closed in early May and refunded bonds redeemed on August 1<sup>st</sup>.

### **Council Meeting of April 7, 2015 - Bond Documents to Council:**

At the April 7, 2015 City Council meeting, there will be several legal and financing documents prepared by Jones Hall, the City's Bond/Disclosure Counsel related to the issuance of the 2015 General Obligation Refunding Bonds for your consideration and approval. The draft resolution of issuance (**EXHIBIT A**) is provided to Council for review and informational purpose at this time. It will be brought back to Council on April 7<sup>th</sup> for approval. The April 7<sup>th</sup> forthcoming documents are briefly described as follows:

**Resolution of Issuance** – The Resolution approves the issuance of the 2015 General Obligation Refunding Bonds and authorizes the distribution of the Preliminary Official Statement.

**Preliminary Official Statement** – The Draft Preliminary Official Statement (POS) for the issuance of the 2015 General Obligation Refunding Bonds has been prepared by Jones Hall, serving as the City's Disclosure Counsel. The POS is a document that states the major facts about the City, its current financial and development history, its management system, the bond issue's purpose, the procedure to redeem the outstanding 1998 and 2005 bonds, payment of principal and interest, the term of the bonds (still paid off in 2019 and 2035; no extension of the term as part of the refunding), redemption features, creation of funds for the accounting of the bonds, continuing disclosure requirements, tax exempt opinion, and Constitution and State provisions affecting this bond issue. The POS is the basic source of information to the potential bond buyer and as such it is essential that the information be accurate and complete.

**Irrevocable Refunding Instructions** – The instructions provide specific direction to the City's existing paying agent for the 1998 General Obligation Refunding Bonds and the General Obligation Bonds Election of 2002, Series 2005 required to redeem (pay-off) the outstanding bonds on August 1, 2015.

**Paying Agent Agreement** – This is an agreement between the City and a To Be Determined Bank regarding its role as the paying agent and transfer agent for the 2015 General Obligation Refunding Bonds. The paying agent is responsible for making semi-annual debt service payments to bondholders.

**Bond Purchase Agreement** – This is an agreement between the City and a To Be Determined Bond Underwriter whereby the City agrees to sell the 2015 General Obligation Refunding Bonds to the Underwriter who then sells the bonds to individual investors.

**Costs and Benefits of the 2015 General Obligation Refunding Bonds** – The 2015 General Obligation Refunding Bonds will have an estimated true interest costs of 3.20% and will result in net present value savings of approximately 12% or \$980,000 and average annual savings of \$90,000. This will directly benefit the Marina tax payers by lowering the amount of their levy for the remaining term of the bond issue.

There are costs involved in this refunding. These costs have been factored into the calculation of net present value savings referenced above. While this would be a current refunding (i.e. Outstanding Bonds are redeemed within 90 days after closing), there is a 2% premium that will be paid to bondholders to call the 2005 bonds in August 2015 as is planned. There are costs associated with the City's consultant team that has been assembled to complete the refunding. The functions and estimated costs are shown in the table below:

<b>Function</b>	<b>Estimated Costs</b>
Bond/Disclosure Counsel	\$54,500
City Staff Time	\$10,000
City Attorney	\$7,500
Financial Advisor	\$43,000
Rating Agency	\$15,000
Paying Agent	\$2,500
Printer	\$5,000
Verification Agent	\$4,000
Contingency	\$8,500
Underwriter	\$57,000
Bond Insurance	\$35,000
<b>Total</b>	<b>\$242,000</b>

**FISCAL IMPACT:**

There is no impact on the City or the General Fund from the 2015 General Obligation Refunding Bonds. The benefit will accrue to the Marina taxpayers from the reduction in annual levy over the remaining term of the bonds, which will be paid off in 2019 and 2035. In present value, that savings is estimated at approximately \$980,000, including the cost associated with the refunding.

**CONCLUSION:**

This request is submitted for City Council consideration and possible action.

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Lauren Lai, CPA  
Finance Director  
City of Marina

**REVIEWED/CONCUR:**

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Layne P. Long  
City Manager  
City of Marina