




Staff Report

City of Manhattan Beach

Capital Improvements Corporation

TO: Board of Directors of the Capital Improvements Corporation

THROUGH:  David N. Carmany, Chief Administrative Officer

FROM: Bruce Moe, Chief Financial Officer 

DATE: June 19, 2012

SUBJECT: Manhattan Beach Capital Improvements Corporation:

- a) Reorganization of the Manhattan Beach Capital Improvements Corporation;
- b) Resolution of the Manhattan Beach Capital Improvements Corporation Approving a Trust Agreement, A Site Lease, A Lease Agreement, a Purchase Contract, an Assignment Agreement; Authorizing the Taking of Certain Actions in Connection with the Refunding of Outstanding Certificates of Participation and the Execution and Delivery of Not-To-Exceed \$14,000,000 Certificates of Participation (Metlox and Water/Wastewater Refunding) Series 2012

RECOMMENDATION:

Staff recommends that the Board of Directors of the Manhattan Beach Capital Improvements Corporation (CIC): a) elect a new President and Vice President, and b) adopt Resolution CIC-6 for the refinancing of the 2003 Metlox and 1996 Water/Wastewater Certificates of Participation (COPs).

FISCAL IMPLICATION:

By taking advantage of the current interest rate environment, the City can achieve estimated present value savings of \$2.29 million through a refunding (refinancing) of existing Metlox Public Improvements and Water/Wastewater COPs. The estimated cost of issuance for the refunding is \$121,850 and includes fees for Bond/Disclosure Counsel (\$60,000), Financial Advisor (\$35,000), Standard & Poor's rating agency (\$14,000), Trustee (\$5,400) and various other parties (verification agent, printing, data sourcing, etc.). Additionally, the Underwriters are paid a fee \$68,503 for purchasing and marketing the COPs. The majority of these costs of issuance are contingent upon the successful completion of the refunding. All of these fees will be paid with proceeds of the refunding COPs, and have already been factored into the present value savings noted earlier. Total debt service for both issues will decrease by approximately \$170,000 annually (\$110,000 in Parking Fund; \$60,000 in Water and Wastewater Funds), while the

existing amortizations (21 years for Metlox and 14 years for Water/Wastewater) will remain the same.

BACKGROUND:

Organization

The Manhattan Beach Capital Improvements Corporation (CIC) was formed in 1996 to facilitate issuance of debt for improvements to the water and wastewater systems. Most recently, the CIC was the conduit for financing the Police/Fire Facility in 2004, and the Metlox Public Improvements in 2003.

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. Before proceeding with the business of the Corporation this evening, the Council must elect a new President and Vice President. Appointed positions include the City Manager serving as the CIC's Chief Administrative Officer, and the City's Finance Director serving as the Chief Financial Officer.

Metlox and Water/Wastewater Refinancing

In line with the City Council Strategic Plan goals, staff reviewed the City's outstanding financing obligations for potential refunding (refinancing) opportunities. The historically low interest rate environment has created the opportunity to reduce overall borrowing costs. At the April 17, 2012 meeting, the City Council authorized staff to proceed with a refinancing plan for the 2003 Metlox certificates of participation (COPs) and the 1996 Water/Wastewater COPs. This plan is estimated to result in present value savings of approximately \$2.29 million. The actual savings will be determined at the time of sale, which will be reported to the City Council.

The mechanism for the City to refinance the Metlox and Water/Wastewater certificates is through the execution and delivery of new Certificates of Participation by the CIC. Under this arrangement, City Hall and City Parking Lot #3 will serve as leased properties. Title to the real properties will be held by the City, which will lease it to the CIC. The CIC will then lease the property back to the City. The CIC will then assign and pay over the lease payments to the trustee, which will in turn pay such amounts to the certificate holders.

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 this evening's City Council agenda.

1. Staff is requesting that the Board of Directors: a) elect a new President and Vice President for the Capital Improvements Corporation; and b) adopt Resolution CIC-6 approving the refinancing of the 2003 Metlox and 1996 Water/Wastewater Certificates of Participation;

If approved this evening, the refunding will be completed by July 11, 2012.

Attachment: A – Resolution No. CIC-6

RESOLUTION NO. CIC-6

RESOLUTION OF THE MANHATTAN BEACH CAPITAL IMPROVEMENTS CORPORATION APPROVING A TRUST AGREEMENT, A SITE LEASE, A LEASE AGREEMENT, A PURCHASE CONTRACT, AN ASSIGNMENT AGREEMENT; AUTHORIZING THE TAKING OF CERTAIN ACTIONS IN CONNECTION WITH THE REFUNDING OF OUTSTANDING CERTIFICATES OF PARTICIPATION AND THE EXECUTION AND DELIVERY OF NOT TO EXCEED \$14,000,000 CERTIFICATES OF PARTICIPATION (METLOX AND WATER/WASTEWATER REFUNDING) SERIES 2012

WHEREAS:

(a) The Manhattan Beach Capital Improvements Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation") and the City of Manhattan Beach, a political subdivision duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "City") previously entered into Installment Sale Agreement (the "1996 Installment Agreement") for the purpose of financing the costs of certain capital projects relating to the City's water and wastewater system, as described therein (the "1996 Improvements"); and

(b) The Corporation and the City previously entered into a Lease Agreement (the "2003 Project Lease"), dated as of January 1, 2003 for the purpose of financing the costs of certain capital projects for the City described therein (the "2003 Improvements"); and

(c) In order to finance the 1996 Improvements and the 2003 Improvements, the City executed and delivered the City of Manhattan Beach Certificates of Participation (1996 Water and Wastewater Improvement Project) (the "1996 Certificates") and Certificates of Participation (Metlox Public Improvements) Series 2003 (the "2003 Certificates" and together with the 1996 Certificates, the "Refunded Certificates"), and

(d) The City and the Corporation have determined that refinancing the costs of the 1996 Improvements and the 2003 Improvements by paying and refunding the installment payments becoming due under the 1996 Installment Agreement and the base rental payments becoming due under the 2003 Project Lease (together, the "Prior Project Agreements") is necessary and proper for City purposes and uses under the terms of applicable law and is for the common benefit of the City as a whole; and

(e) In order to implement the foregoing, the City and the Corporation, propose to enter into a Site Lease (as hereinafter defined) pursuant to which the City agrees to lease to the Corporation certain real property and improvements generally consisting of (i) City Hall and the real property on which it is located and (ii) a two level public parking structure, accommodating 139 vehicles (the "Leased Premises"); and

(f) The City and the Corporation propose to enter into the Lease Agreement (the "Lease Agreement") pursuant to which the Corporation agrees to lease the Property to the City in consideration for which the City will make payments of base rental ("Base Rental") for the use and possession of the Leased Premises; and

(h) The Corporation proposes to assign and transfer to U.S. Bank National Association, as trustee (the "Trustee"), certain of its rights, title and interest in and to the Lease Agreement, including its right to receive payments of Base Rental thereunder, by entering into an Assignment Agreement (as hereinafter defined); and

(i) The City, the Corporation and the Trustee propose to enter into a Trust Agreement pursuant to which the Trustee will execute and deliver certificates of participation representing proportionate undivided interests in the Lease Agreement, including the right to receive payments of Base Rental thereunder; and

(j) The City, the Corporation and the Underwriter (as defined herein) propose to enter into a Certificate Purchase Agreement (as hereinafter defined) pursuant to which the City will sell the Refunding Certificates (as hereinafter defined); and

(k) The Corporation is authorized to undertake all of the above pursuant to applicable laws of the State of California.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MANHATTAN BEACH CAPITAL IMPROVEMENTS CORPORATION AS FOLLOWS:

1. The form of Site Lease by and between the City and the Corporation (the "Site Lease"), a copy of which is attached hereto as Exhibit "A" and incorporated herein by this reference, is hereby approved.

2. The form of Lease Agreement by and between the City and the Corporation a copy of which is attached hereto as Exhibit "B" and incorporated herein by this reference, is hereby approved.

3. The form of Assignment Agreement by and between the Corporation and the Trustee (the "Assignment Agreement"), a copy of which is attached hereto as Exhibit "C" and incorporated herein by this reference, is hereby approved.

4. The form of Certificate Purchase Agreement (the "Certificate Purchase Agreement") among the City, the Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter"), a copy of which is attached hereto as Exhibit "D" and incorporated herein by this reference, is hereby approved.

5. The form of Trust Agreement (the "Trust Agreement"), a copy of which is attached hereto as Exhibit "E" and incorporated herein by this reference, is hereby approved.

6. The President, the Chief Administrative Officer, the Chief Financial Officer, and the other officers of the Corporation are, and each of them acting alone is, hereby authorized and directed for and in the name of and on behalf of the Corporation to execute and deliver the Site Lease, the Lease Agreement, the Assignment Agreement, the Purchase Agreement and the Trust Agreement each in substantially the form presented to and considered at this meeting, with such changes therein, deletions therefrom and additions thereto as may be approved (i) by the officer executing the same on behalf of the Corporation, in such officer's discretion, as being in the best interests of the Corporation, (ii) by Stradling Yocca Carlson & Rauth, a Professional Corporation, Special Counsel, and (iii) as to form by the City Attorney; such approval to be conclusively

evidenced by the execution and delivery of such document by the officer executing the same on behalf of the Corporation.

7. All actions heretofore taken by any officer of the Corporation in connection with or related to any of the agreements referenced herein or the financing of the Project are hereby approved, confirmed and ratified.

8. The President, Vice-President and the Secretary of the Corporation and all other officers of the Corporation are, and each of them acting alone is, hereby authorized and directed to take such actions and to execute such documents and certificates (including certificates relating to the accuracy and completeness of the information in the Official Statement relating to the Certificates as set forth in the Certificate Purchase Contract) as may be necessary to effectuate the purposes of this Resolution, including but not limited to the execution and delivery of the Certificates, the refunding of the Refunded Certificates, and the termination of the Prior Project Agreements and related agreements, and the execution of any documents and certificates in connection therewith, to the extent not inconsistent with this resolution.

9. This Resolution shall take effect upon its adoption by this Board. The City Clerk shall make this Resolution reasonably available for public inspection within thirty (30) days of the date this Resolution is adopted. The City Clerk shall certify to the adoption of this Resolution and thenceforth and thereafter the same shall be in full force and effect.

PASSED, APPROVED and ADOPTED by the Board of Directors of the Manhattan Beach Capital Improvements Corporation this 19th day of June 2012.

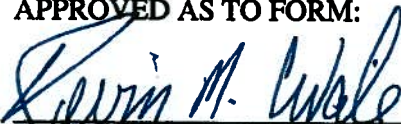
Ayes:
Noes:
Absent:
Abstain:

President
Manhattan Beach Capital Improvements Corporation

ATTEST:

Secretary

APPROVED AS TO FORM:



Special Counsel