



CITY OF CARSON

Legislation Text

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Report to Mayor and City Council

Tuesday, February 05, 2019

Consent

SUBJECT:

AWARD OF CONTRACTS AND SELECTION OF UNDERWRITERS FOR SERVICES RELATING TO BONDS SECURED BY (1) MEASURE R AND MEASURE M REVENUES AND (2) DOMINGUEZ TECHNOLOGY CENTER WEST ASSESSMENT DISTRICT LEVY (CITY COUNCIL)

I. SUMMARY

On September 4, 2018, the City Council directed staff to move forward with an expedited solicitation for proposals and qualifications for Financial Advisors and Underwriters, in anticipation of upcoming bond issues.

The purpose of this report is to recommend the City Council award contracts to the Financial Advisor and Disclosure Counsel for each financing, and accept an underwriting proposal for each financing.

II. RECOMMENDATION

For the Bonds to be secured by Measures R and M Revenues (Measure R/M):

1. AWARD the proposed financial advisor contract to Harrell & Company Advisors, LLC for a not-to-exceed maximum amount of \$71,000 (see Exhibit A).
2. AWARD the proposed disclosure counsel contract to Nixon Peabody LLP for a not-to-exceed maximum amount of \$15,000 (see Exhibit B).
3. ACCEPT the proposal for underwriting by Piper Jaffray & Co., at a maximum discount (fee) of \$4.13 per \$1,000 par amount of bonds issued, and approve Cabrera Capital Markets Inc. to act as co-manager.

For the Bonds to be secured by the Dominguez Technology Center West Assessment District Levy:

1. AWARD the proposed financial advisor contract to Columbia Capital Management LLC for a not-to-exceed maximum amount of \$75,000 (see Exhibit C).
2. AWARD the proposed disclosure counsel contract to Quint & Thimmig LLP for a not-to-exceed maximum amount of \$37,500 (see Exhibit D).
3. ACCEPT the proposal for underwriting by Stifel Nicolaus & Co., at a maximum discount (fee) of \$6.50 per \$1,000 par amount of bonds issued.

III. ALTERNATIVES

Take another action deemed appropriate by the City Council.

IV. BACKGROUND

On September 4, 2018, the City Council directed staff to move forward with the next steps related to three potential bond issues, listed in the following order of priority:

- 1. Measure R/M Bonds** - Generate up to \$28.0 million of capital by bonding against the City's local allocations of Measure R and Measure M transportation sales tax revenues.
- 2. Technology Center Bonds** - Potentially generate up to \$2.0 million of capital for infrastructure projects that would benefit the Dominguez Technology Center West, by refunding (refinancing) the assessment district's 2006 bonds. The debt service for the 2006 bonds is paid by assessments levied on the property owners in the assessment district. City revenues are not used to make these bond payments.
- 3. Successor Agency Tax Allocation Bonds** - Refund the 2007 bonds that were issued by the former Carson redevelopment agency, to generate debt service savings, and increase property tax revenue for all the taxing entities, including the City. The City's share of additional revenue that may become available is approximately \$7,500 per year.

Staff released an informal request for proposals and qualifications on September 6, 2018, per City Council direction to move expeditiously. The informal solicitation was sent to 6 financial advisory firms and six bond underwriting firms. On September 17, 2018, the City received proposals from four financial advisory firms and five underwriters listed alphabetically below:

Financial Advisors

C.M. de Crinis & Co., Inc. (now Columbia Capital Management LLC)

Harrell & Company

Urban Futures, Inc.

Wolf & Company, Inc.

Underwriters

Cabrera Capital Markets, LLC

FTN Financial Capital Markets

Piper Jaffray & Co.

Ramirez & Co., Inc.

Stifel, Nicolaus & Company, Inc.

Staff reviewed the proposals, and developed the following recommendations in conjunction with Ms. Anita Luck of Aleshire & Wynder (Bond Counsel), the former City Manager, Assistant City Manager Raymond and Assistant City Manager Roberts. The recommendations are listed in order of process.

1. Recommend award of a contract in a not-to-exceed amount of \$71,000 for financial advisory services to Harrell & Company Advisors, LLC for the Measure R/M bonds. In addition, Harrell & Company will also prepare the Preliminary Official Statement (the bond prospectus that will be distributed to potential bond investors). This recommendation is based upon the high level of service and competitive pricing proposed by Ms. Harrell, and her experience working with numerous cities, including experience working with former City Manager Farfsing and Assistant City Manager Raymond.
2. Recommend award of a contract for a not-to-exceed amount of \$75,000 for financial advisory services to C.M. de Crinis & Co., Inc. (now Columbia Capital Management LLC) for the 2006 assessment district bond refunding. Mr. de Crinis has significant

experience assisting cities with this type of very complex financing. In addition, he was also the City's financial advisor on the 2006 assessment district bonds and is intimately familiar with the related bond structure. In addition, please note that this financing involves the refunding of two sets of bonds; the 2006 Series A and 2006 Series B assessment bonds.

3. Recommend award of a contract for a not-to-exceed amount of \$15,000 for disclosure counsel services related to the Measure R/M bonds to Nixon Peabody LLP. Nixon Peabody LLP will provide the required legal opinion that, to the best of their knowledge, all statements provided in the Preliminary Official Statement and related bond documents are factual and complete.
4. Recommend award of contract for a not-to-exceed amount of \$37,500 to Quint & Thimmig LLP, in connection with the 2006 assessment district bond refunding. Services include preparation of the Preliminary Official Statement as well as the rendering of the disclosure opinion. Quint & Thimmig is recommended by staff because of its significant experience with assessment district bonds of the complexity of the 2006 bonds. Please also note that this financing involves the refunding of two sets of bonds; the 2006 Series A and Series B assessment bonds.
5. Approve the selection of Piper Jaffray & Co., as lead underwriter for the Measure R/M Bonds. Piper Jaffray is recommended by staff based on their familiarity and marketing ability with this type of financing. Their initial proposed fee was comprised of a takedown (sales fee) of \$3.00 per \$1,000 bond and expenses of \$1.32 per \$1,000 bond, for a total of \$4.32 per \$1,000 of par amount of bonds issued, which is equivalent to a fee of 0.432% of the par amount of bonds to be issued. Staff, with the assistance of the Financial Advisor, requested a reduction in the expense component of the fee to \$1.13 from \$1.32; Piper agreed to the reduction. The agreed upon proposed fee is now \$4.13 per bond, or 0.413% of the par amount of bonds to be issued or approximately \$103,000 to \$124,000 on par amounts from \$25 million to \$30 million.

Staff also recommends selection of Cabrera Capital Markets to act as co-managing underwriter, in order to expand the marketing base. Although they initially proposed a fee of \$5.00 per \$1,000 bond, they have also agreed to the lower \$4.13 proposed by Piper Jaffray.

6. Approve the selection of Stifel Nicolaus to act as lead/sole underwriter for the 2006 assessment district bond refunding. Stifel Nicolaus is recommended by staff based on their experience, expertise and marketing strength with this type of financing. Their proposed fee was initially comprised of a takedown (sales fee) of \$6.250 per \$1,000 bond and expenses of \$1.496 per \$1,000 par amount of bonds issued or a total of \$8.953 or 0.8953% of the par amount of bonds to be issued. Staff and the Financial Advisor requested a reduction in the total fees to \$6.50 per \$1,000 of par amount, or 0.6500%. Stifel agreed to the reduction. On an estimated par amount of approximately \$21 million, underwriter fees will total approximately \$137,000. These fees will be split between the two underwriting firms based on the amount of bonds each firm sells.
7. Defer the issuance of tax allocation refunding bonds since there is not a significant financial benefit to the City.

Aleshire & Wynder is serving as bond counsel under its current contract with the City for an hourly rate of \$350 per hour.

NEXT STEPS

Both financing teams have already conducted preliminary analysis that is required to determine if the respective bond issues are feasible under current law and with regard to prevailing market conditions. At this time, based on the preliminary analysis conducted by the financial advisors, underwriters and disclosure counsels, and reviewed by the City's Bond Counsel from Aleshire & Wynder, we have concluded that both the Measure R/M bond issue and the 2006 Tech Center assessment bonds refunding can be accomplished.

Upon City Council's approval to award and execute the contracts proposed within this report, staff will direct both financing teams to conduct required due diligence and prepare the necessary documents (Preliminary Official Statement, Indenture of Trust, other documents) with the goal of presenting all required documents and resolutions to the City Council for approval. Documents should be completed for Council review and approval by the first or second regularly scheduled meeting of March, 2019.

At that time, staff will recommend the specific structure of each bond issue; discuss market conditions with regard to interest rates; provide Council with a list of proposed capital projects; and, request a not-to-exceed par amount for each of the two bond issues.

V. FISCAL IMPACT

The fees for all services are paid from bond proceeds. If the Measure R/M Bonds are not issued, there is a maximum non-contingent fee of \$10,000 to be paid to the Financial

Advisor, based upon work performed.

The Measure R/M bonds may generate up to \$30 million of proceeds for Citywide public road/street improvements. The Assessment District bonds may generate up to \$2 million of proceeds for public improvements of benefit to the Technology Center property.

VI. EXHIBITS

- A. Agreement with Harrell & Company Advisors, LLC for Financial Advisory Services
- B. Agreement with Nixon Peabody LLP for Disclosure Services
- C. Agreement with Colombia Capital Management LLC for Financial Advisory Services
- D. Agreement with Quint & Thimmig LLP for Disclosure Counsel Services

Prepared by: Robert Torrez, Interim Finance Director