



# CITY COUNCIL STAFF REPORT



**November 9, 2021**

## **ITEM TITLE**

**Presentation:** Presentation from Stradling Yocca Carlson & Wauth, P.C., Bond and Disclosure Counsel, Regarding Federal Securities Law Matters Related to the Offer of Municipal Bonds

**Report Number:** 21-0170

**Location:** No specific geographic location

**Department:** Development Services

**Environmental Notice:** The activity is not a "Project" as defined in Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

## **Recommended Action**

Receive a presentation from Stradling Yocca Carlson & Rauth, P.C., Bond and Disclosure Counsel, regarding federal securities law matters related to the offering of municipal bonds.

## **SUMMARY**

On May 8, 2012, the City and the San Diego Unified Port District (the "Port District") approved and entered into a Financing Agreement for the Chula Vista Bayfront Master Plan (the "CVBMP"), which identified the rights and obligations of each agency, with respect to the financing, development, and construction of CVBMP public improvements, infrastructure, and a convention center to be constructed on the Chula Vista Bayfront (the "Convention Center"). The Financing Agreement established that the City and the Port District would form a Joint Exercise of Powers Authority to provide for or facilitate the financing of certain CVBMP public infrastructure improvements and the Convention Center. On May 13, 2014, the City of Chula Vista adopted Resolution 2014-070 approving a Joint Exercise of Powers Agreement (the "JEPA Agreement") forming the Chula Vista Bayfront Facilities Financing Authority (the "Authority") to implement common objectives of the parties related to the development of the CVBMP. As the Authority moves toward issuing debt to finance certain CVBMP infrastructure improvements and a public investment in the Convention Center, a training regarding federal securities law matters related to the offer of municipal bonds is recommended.

## **ENVIRONMENTAL REVIEW**

The Director of Development Services 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 because it will not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

## **BOARD/COMMISSION/COMMITTEE RECOMMENDATION**

Not applicable.

## **DISCUSSION**

The Authority has retained the services of J.P. Morgan to act as underwriter in connection with the proposed sale of two series of bonds related to the construction and development of the Convention Center and certain CVBMP public infrastructure improvements (the “Bayfront Financing”). The Authority’s bonds will be offered to investors through a Preliminary Official Statement which is similar to a prospectus in the corporate market. It will contain all of the information necessary for investors to make an informed decision regarding a purchase of the Authority’s bonds.

When municipal bonds are sold to investors in a public sale, certain provisions of federal securities laws apply to the offering. Specifically, the offering is governed by Securities and Exchange Commission Rule 10b-(5) which makes it unlawful for an issuer of bonds to make a misstatement of a material fact or to omit to state a material fact in connection with the bond offering.

The Securities and Exchange Commission has made clear through various releases and enforcement actions that the members of the governing board of an issuer of municipal bonds have a duty to review the key elements of the preliminary official statement before bonds are sold. The Securities and Exchange Commission has also emphasized the importance of governing board members and key staff members receive securities law training so that they are familiar with the federal securities law standards that are applicable to a sale before bonds are offered.

The purpose of this agenda item is to provide the City Councilmembers with federal securities law training and the opportunity to ask questions regarding the process for preparing the Preliminary Official Statement for the Authority’s proposed sale of bonds. While the City will not directly issue bonds for the Bayfront Financing, training for all JEPa member agency councilmembers and board members is recommended. The same training was presented to the Port District Board of Commissioners earlier today.

## **DECISION-MAKER CONFLICT**

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov’t Code § 87100, et seq.). Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

### **CURRENT-YEAR FISCAL IMPACT**

There is no current year fiscal impact as a result of receiving this presentation.

### **ONGOING FISCAL IMPACT**

There is no ongoing fiscal impact as a result of receiving this presentation.

### **ATTACHMENTS**

None.

*Staff Contact: Tiffany Allen, Director of Development Services*