



CITY COUNCIL STAFF REPORT



September 19, 2023

ITEM TITLE

Agreements: Approve Agreements Between the City and Harrell & Company Advisors, LLC for Financial Advisory Services; Stradling Yocca Carlson & Rauth for Bond and Disclosure Counsel; and Spicer Consulting Group, LLC for Special Tax Consultant Services

Report Number: 23-0215

Location: Community Facilities Districts 06-I IA A, 06-I IA B, 07-I, 08-I, and 2001-2 in Eastern Chula Vista.

Department: Finance

Environmental Notice: The activity is not a “Project” as defined under 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

Adopt resolutions approving agreements between the City and: A) Harrell & Company Advisors, LLC for Financial Advisory Services, B) Stradling Yocca Carlson & Rauth for Bond and Disclosure Counsel, and C) Spicer Consulting Group, LLC for Special Tax Consultant Services, all in connection with the Bond Refinancing of the Chula Vista Municipal Financing Authority Special Tax Revenue Refunding Bonds, Series 2013.

SUMMARY

The City refinanced five series of special tax refunding bonds in 2013 under the Chula Vista Municipal Financing Authority, each issued by a community facilities district of the City. The City now has the opportunity to refinance the 2013 Bonds and reduce the future special taxes levied on affected homes within the applicable CFD’s. The City wishes to procure the services of Harrell & Company Advisors, LLC as Financial Advisor, Stradling Yocca Carlson & Rauth as Bond and Disclosure Counsel, and Spicer Consulting Group, LLC as Special Tax Consultant for this transaction. This selection is based on their expertise and familiarity with the City’s bond transactions.

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 City has the opportunity to refinance the Chula Vista Municipal Financing Authority Special Tax Revenue Refunding Bonds, Series 2013. This 2013 bond issue refinanced five series of special tax refunding bonds, each issued by a community facilities district (CFD) of the City (CFD 06-I IA A, CFD 06-I IA B, CFD 07-I, CFD 08-I and CFD 2001-2).

The estimated Bond issuance (2023 Bonds) will be approximately \$40,000,000 and the Bonds will mature in 2034, with no extension of the existing 2013 Bonds maturity. The total costs of issuance are estimated to be \$600,000 to be paid from the bond proceeds provided by the bond refinancing. This includes the cost of the services contained in the attached agreements for Bond Counsel and Disclosure Counsel (\$90,000), Special Tax Consultant (\$45,000) and Municipal Advisor (\$70,000). The total estimated costs of issuance also include credit rating fees, fiscal agent fees, printing fees and the underwriter's commission.

Additional details concerning the 2023 Bonds will be presented to the City Council at a future meeting to approve the issuance of the 2023 Bonds. The Municipal Advisor has estimated the 2023 Bonds debt service based on current interest rates. Using those estimates, the existing homeowners should see a reduction of approximately 10% in their special tax that is included on their 2024-25 property tax bills. That generates an average reduction of over \$100 per year for detached homes and \$70 per year for attached homes compared to the special tax that was included on the homeowners' 2023-24 property tax bills, based on today's bond market conditions. The savings also varies by home size and by individual CFD.

Certain consulting services are required for the issuance of the 2023 Bonds. Staff recommends Harrell & Company Advisors to serve as Municipal Advisor. Harrell & Company Advisors has served as the Municipal Advisor for multiple bond issuances over the years and is therefore very familiar with the City's bond transactions. Staff recommends Stradling Yocca Carlson & Rauth to provide bond counsel and disclosure counsel services. They provided bond disclosure services for the refinancing in 2013 and have provided bond counsel and bond disclosure services for multiple city bond issuances over the years. Staff recommends Spicer Consulting Group to serve as Special Tax Consultant based on their expertise and familiarity with the City's Special Tax Administration. Spicer Consulting Group has served as the City's Special Tax Consultant since January 2018 and is therefore familiar with the City's CFDs and bond issuance process.

Harrell & Company Advisors, Spicer Consulting Group and Stradling Yocca Carlson & Rauth have demonstrated competence and qualification through knowledge and experience with the City's bond financings as described above. Staff recommends that the City contract with the three firms to provide necessary services to refinance the 2013 Bonds and reduce the future special taxes levied on affected homes within the applicable CFD's. Staff is recommending waiving the City's selection process for professional services pursuant to Municipal Code Section 2.56.110(H)(2) as the Purchasing Agent has determined it to be impractical and the City's interest is materially better served by applying a different purchasing procedure.

Bond Counsel will draft the legal documents, the Special Tax Consultant will provide data concerning the special taxes and assessed values of property, and the Municipal Advisor will structure the refunding Bonds and prepare the official statement needed to market and sell the Bonds. The cost of these consultants will be paid from Bond proceeds.

The resolutions presented to the City Council approve the contracts with Stradling Yocca Carlson & Rauth, the Spicer Group and Harrell & Company Advisors.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council and has found that Mayor McCann has real property holdings within 500 feet of the boundaries of CFD 06-I which is the subject of this action. Consequently, pursuant to California Code of Regulations Title 2, sections 18700 and 18702.2 (a) (7), this item presents a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.) for the above-identified member.

CURRENT-YEAR FISCAL IMPACT

There is no current-year fiscal impact to the General Fund. All fees paid under these agreements will be paid out of bond proceeds from the bond refinancing.

ONGOING FISCAL IMPACT

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

ATTACHMENTS

1. Agreement with Harrell & Company Advisors, LLC
2. Harrell & Company Advisors Municipal Advisor Disclosures
3. Agreement with Stradling Yocca Carlson & Rauth
4. Stradling Yocca Carlson & Rauth AIM Rating Explanation
5. Agreement with Spicer Consulting, LLC

Staff Contact: Sarah Schoen, Finance Director/Treasurer