

AGENDA ITEM #: _____

DATE: May 8, 2017

COAC #: 17-6064

**CITY OF GOODYEAR
COUNCIL ACTION REPORT**

SUBJECT: Resolution No. 17-1801 authorizing the issuance and sale of PIC Subordinate Lien Municipal Facilities Revenue Bonds, Taxable Series 2017, to finance the improvement, expansion and refurbishment of certain ballpark facilities and related facilities.

STAFF PRESENTER: Doug Sandstrom,
Finance Director

CASE NUMBER: N/A

OTHER PRESENTER: N/A

PROPOSED ACTION:

ADOPT RESOLUTION NO. 17-1801 APPROVING AN AGREEMENT, A TRUST AGREEMENT, AN AGENCY AGREEMENT, AND RELATED DOCUMENTS PERTAINING TO THE CITY OF GOODYEAR PUBLIC IMPROVEMENT CORPORATION (THE "CORPORATION"); AUTHORIZING THE ISSUANCE OF THE CORPORATION'S SUBORDINATE LIEN MUNICIPAL FACILITIES REVENUE BONDS, TAXABLE SERIES 2017 FOR THE PURPOSE OF EXPANDING AND REFURBISHING THE CITY'S BASEBALL STADIUM FACILITIES; PLEDGING THE CITY'S EXCISE TAXES ON A SUBORDINATE BASIS TOWARD CERTAIN PAYMENTS DUE TO THE CORPORATION UNDER THE AGREEMENT; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND DELEGATING CERTAIN DUTIES AND DECLARING AN EMERGENCY.

BACKGROUND AND PREVIOUS ACTIONS:

The Cleveland Indians approached the City with plans to expand and improve their current clubhouse. During this discussion the idea of using the PIC to provide taxable financing for the improvements was discussed. Use of the PIC has financial advantages for the Indians, is consistent with previous financing of the clubhouse and exposes the City to minimal risk.

Public financing through the PIC will provide the Indians with access to potentially lower interest rates than could be found on the open market. Additionally, the structure of the re-payments will allow for payments to be an operational rental expense for the Indians as opposed a capital acquisition. As the current facility was funded through the PIC, the facility is owned by the PIC and leased to the City. Through the Sports Facilities Use Agreement (the "Facilities Agreement") the City then leased the ballpark facilities, clubhouse and related facilities to the Indians. This resolution authorizes the City to negotiate and prepare an amendment to the Facilities Agreement, to be approved at a later City Council meeting prior to closing of the loan, that will provide for increased rent payments from the Indians to the City that are equal to the City's payments due to the PIC related to the Bonds.

The proposed financing is anticipated to be 10 years. If the term is 10 years, the Bonds and related rental payments will be complete prior to the end of the current term of the Facilities Agreement. If the 15 year repayment option is selected, the Indians will execute the 1st 5-year extension of the Facilities Agreement immediately to match the repayment term of the Bonds.

The City has an existing lease-purchase agreement with the PIC pursuant to which the City pays rental payments to the PIC that are equal to the debt service owed by the PIC on its outstanding bonds. Pursuant to that lease-purchase agreement, the City pledges its Excise Taxes as security for payment of the rental payments. As part of this financing, the City and the PIC will enter into an agreement (the "Agreement") where the City agrees to make payments the "2017 Payments") to the PIC from the City's Excise Taxes that are available after making rental payments due under the lease-purchase agreement. Therefore the City's pledge of its Excise Taxes for the 2017 Payments is on a junior or subordinate basis to the City's Excise Tax pledge under the existing lease-purchase agreement.

In order to execute this arrangement three items are required to be approved by Council:

1. Authorize the City's execution and delivery of all documents required for the PIC to issue the Bonds for an approximate amount of \$11,000,000, either through a private bank placement or public offering, including providing for certain representations and certifications regarding the City's subordinate pledge of its Excise Taxes.
2. Authorize the negotiation and preparation of the amendment to the Facilities Agreement with the Cleveland Indians establishing an annual rent payment equal to the debt service on the Bonds.
3. Authorize associated budget transfers for FY2017 and FY2018.

The PIC is currently seeking proposals from direct lenders via a Request for Taxable, Fixed-Rate Lending Proposals. The Bonds are expected to be issued in an approximate par amount up to \$11,000,000, and will be payable from the 2017 Payments received by the PIC from the City pursuant to the Agreement. The PIC's right to receive the 2017 Payments will be assigned to a trustee for the security of the holders of the Bonds pursuant to a Trust Agreement, to be entered into between the PIC and a trustee. Interest on the Loan will be taxable. The PIC has authority to accept proposals or to reject all proposals. If the PIC, with advice from the City Finance Director and the City's Financial Advisor, determines that a direct bank placement is no longer an optimal means of financing this project, the PIC is also authorized to pursue a public offering of the Bonds.

STAFF ANALYSIS:

The Bonds will have a taxable yield not exceeding 9.00% per annum and will finance certain improvements to the ballpark and related facilities used by the Cleveland Indians. If requested by the winning bidder, the Bonds may have a non-payment related default rate not exceeding 10.00% per annum. The City will pledge its Excise Taxes on a subordinate basis to the payment of certain payments to the Public Improvement Corporation (the "PIC") as security for the Bonds. The Cleveland Indians have agreed to increase rent payable to the City under the Sports Facilities Use Agreement, such that there is no anticipated cost to the City for the City's payments due to the Public Improvement Corporation.

The PIC Board unanimously approved this transaction on April 25, 2017, and in the PIC's authorizing resolution the PIC delegated authority to the City Finance Director to determine

whether a direct bank placement or public sale will result in the optimal transaction for the PIC and the City.

The finance staff, financial advisor and bond counsel have reviewed the proposed issuance and sale of City of Goodyear Public Improvement Corporation Subordinate Lien Municipal Facilities Revenue Bonds, Taxable Series 2017, and find that such actions are in compliance with state law and city policies. Staff is in support of the proposed action.

FISCAL ANALYSIS:

The City will serve as the conduit for the receipt and disbursement of bond funds, as well as for annual debt service. For FY2017 a budget transfer will be required to establish a budget up to the amount of \$11.0 million for the project. For FY2018, the draft budget includes the \$10.5 million CIP project and a \$1.0 million debt service payment. A budget transfer may be required to adjust the FY18 budget based on actual amounts for the project and debt service.

RECOMMENDATION:

Adopt Resolution 17-1801, authorize budget transfers and declare an emergency.

ATTACHMENTS:

1. Resolution 17-1801
2. DRAFT Trust Agreement
3. DRAFT Agreement
4. DRAFT Agency Agreement
5. Request for Taxable, Fixed-Rate Lending Proposals
6. DRAFT Preliminary Official Statement
7. DRAFT Purchase Contract (for a direct bank placement transaction)
8. DRAFT Project description provided by the Cleveland Indians
9. DRAFT Continuing Disclosure Certificate