



AGENDA

Tuesday, May 12, 2020

5:00 P.M. OPEN SESSION

**SPECIAL MEETING
CITY COUNCIL, AIRPORT COMMISSION,
MARINA ABRAMS B NON-PROFIT CORPORATION, PRESTON PARK SUSTAINABLE
COMMUNITY NON-PROFIT CORPORATION, SUCCESSOR AGENCY OF THE FORMER
MARINA REDEVELOPMENT AGENCY AND MARINA GROUNDWATER
SUSTAINABILITY AGENCY**

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Marina, California
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E-Mail: marina@cityofmarina.org Website: www.cityofmarina.org

Zoom Meeting URL <https://zoom.us/j/730251556>

Zoom Meeting Telephone Only Participation: 1-669-900-9128 Webinar ID:730 251 556

In response to Governor Newsom's Executive Order N.29-20 and City Council Resolution 2020-29 ratifying the Proclamation of a Local Emergency by the City Manager/Director of Emergency Services related to the COVID-19 (coronavirus) pandemic, public participation in the City of Marina City Council and other public meetings shall be electronic only and without a physical location for public participation, until further notice in compliance with California state guidelines on social distancing. This meeting is being broadcast "live" on Access Media Productions (AMP) Community Television Cable 25 and on the City of Marina Channel and on the internet at <https://accessmediaproductions.org/>

PARTICIPATION

You may participate in the City Council meeting in real-time by calling Zoom Meeting via the weblink and phone number provided at the top of this agenda. Instructions on how to access, view and participate in remote meetings are provided by visiting the City's home page at <https://cityofmarina.org/>. Attendees can make oral comments during the meeting by using the "Raise Your Hand" feature in the webinar or by pressing *9 on your telephone keypad if joining by phone only. If you are unable to participate in real-time, you may email to marina@cityofmarina.org with the subject line "Public Comment Item#__" (insert the item number relevant to your comment) or "Public Comment – Non Agenda Item." Comments will be reviewed and distributed before the meeting if received by 5:00 p.m. on the day of the meeting. All comments received will become part of the record. Council will have the option to modify their action on items based on comments received.

AGENDA MATERIALS

Agenda materials, staff reports and background information related to regular agenda items are available on the City of Marina's website www.cityofmarina.org. Materials related to an item on this agenda submitted to the Council after distribution of the agenda packet will be made available on the City of Marina website www.cityofmarina.org subject to City staff's ability to post the documents before the meeting

VISION STATEMENT

Marina will grow and mature from a small town bedroom community to a small city which is diversified, vibrant and through positive relationships with regional agencies, self-sufficient. The City will develop in a way that insulates it from the negative impacts of urban sprawl to become a desirable residential and business community in a natural setting. **(Resolution No. 2006-112 - May 2, 2006)**

MISSION STATEMENT

The City Council will provide the leadership in protecting Marina’s natural setting while developing the City in a way that provides a balance of housing, jobs and business opportunities that will result in a community characterized by a desirable quality of life, including recreation and cultural opportunities, a safe environment and an economic viability that supports a high level of municipal services and infrastructure. **(Resolution No. 2006-112 - May 2, 2006)**

1. CALL TO ORDER



2. ROLL CALL & ESTABLISHMENT OF QUORUM: (City Council, Airport Commissioners, Marina Abrams B Non-Profit Corporation, Preston Park Sustainable Communities Nonprofit Corporation, Successor Agency of the Former Redevelopment Agency Members and Marina Groundwater Sustainability Agency)

Lisa Berkley, Adam Urrutia, Frank O’Connell, Mayor Pro-Tem/Vice Chair, Gail Morton, Mayor/Chair Bruce C. Delgado

3. OTHER ACTION ITEMS: *Action listed for each Agenda item is that which is requested by staff. The City Council may, at its discretion, take action on any items. The public is invited to approach the podium to provide up to four (4) minutes of public comment.*

- a. City Council consider adopting Resolution No. 2020-, authorize an additional \$4 to \$7 million in “escrow term bonds” be added to the basic funding of the Fort Ord Reuse Authority (FOR A) final funding bonds; and, authorize the City of Marina to purchase the escrow bonds, to be placed in the City’s idle cash portfolio until the escrow period is ended.

CERTIFICATION

I, Anita Sharp, Deputy City Clerk, of the City of Marina, do hereby certify that a copy of the foregoing agenda was posted at City Hall and Council Chambers Bulletin Board at 211 Hillcrest Avenue, Monterey County Library Marina Branch at 190 Seaside Circle, City Bulletin Board at the corner of Reservation Road and Del Monte Boulevard on or before 5:00 p.m., Friday, May 9, 2020.

ANITA SHARP, DEPUTY CITY CLERK

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Agenda items and staff reports are public record and are available for public review on the City's website (www.cityofmarina.org), on the Monday preceding the meeting.

Supplemental materials received after the close of the final agenda and through noon on the day of the scheduled meeting will be available for public review at the meeting.

Members of the public may receive the City Council, Airport Commission and Successor Agency of the Former Redevelopment Agency Agenda at a cost of \$55 per year or by providing a self-addressed, stamped envelope to the City Clerk. The Agenda is also available at no cost via email by notifying the City Clerk at marina@cityofmarina.org

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May 8, 2020

Item No: **3a**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of May 12, 2020

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2020-,
APPROVING THE ADDITION OF “ESCROW TERM BONDS” TO THE
PROPOSED FORA DEBT ISSUE AND AUTHORIZE THE CITY
FINANCE DIRECTOR TO PURCHASE THOSE ESCROW TERM
BONDS.**

REQUEST:

It is requested that the City Council consider:

- 1) Adopting Resolution No. 2020-, authorize an additional \$4 to \$7 million in “escrow term bonds” be added to the basic funding of the Fort Ord Reuse Authority (FOR A) final funding bonds; and,
- 2) Authorize the City of Marina to purchase the escrow bonds, to be placed in the City’s idle cash portfolio until the escrow period is ended.

BACKGROUND

The Fort Ord Reuse Authority (FORA) will dissolve as of 6/30/2020. A principal funding source for FORA has been tax increment financing. This financing is the growth in the property tax within the FORA jurisdiction. Although FORA will sunset on June 30, the agency has the right to issue one last bond issue for capital projects that need to be done. The City Council has already authorized in concept the issuance of this debt at their May 5, 2020 meeting.

Tax increment debt financing is limited to what the current property tax will support, usually requiring a coverage ratio of 125% of the expected tax increment. Further, the tax increment may not be pledged for debt service longer than the funding period of the agency. Thus, the size of the current debt issue which is being worked on by FORA is limited by these factors.

At the same time, the City knows that the assessed value, which drives the tax increment, is likely to increase for the portion of the FORA jurisdiction within the boundaries of Marina. The Dunes project is working to build approximately 100 homes a year in the area. The FORA financial advisor working with Keyser Marston have made some preliminary projections which suggest that if the City were able to capture the tax increment growth of the next three or four years, an additional \$4 to \$7 million of bonds could be issued with the final FORA debt issue. This financing technique is called “escrow term bonds” because the bond proceeds are placed in escrow with the trustee and would only be available to the extent that tax increment becomes available.

The bond technique works in the following fashion:

- 1) The increase of tax increment which is reasonably going to be available over the 3 to 5 years escrow period is estimated.
- 2) The amount of additional debt such tax increment would support is estimated.

- 3) This additional debt or “escrow term bonds” is placed with the trustee. The interest that is necessary to fund the bonds during the life of the escrow is deducted from the original issue bond proceeds and placed in the escrow to pay debt service during the life of the escrow. This is an important point because it reduces the amount of the original bond proceeds but is usually able to increase the debt issue by 10 times the amount of deposited escrow interest.
- 4) Once a year, the trustee with the City’s experts would determine how many of the escrow bonds could be released.
- 5) The escrow bonds are released, the underwriter sells the bonds in the open market, the City receives the proceeds of the bonds for building removal. The cash the City originally invested in the escrow term bonds is released and would be reinvested.
- 6) Once released, the escrow bonds are repaid on the same basis as the original issue bonds.
- 7) If any escrow bonds at the end of the escrow period remain, the money in the escrow is used to call and pay off any outstanding bonds which cannot be paid for through the life of the tax increment. Simply put, the City funds used to buy the escrow term bonds still outstanding at the end of the escrow period are returned to the City and must be reinvested. All interest prefunded is paid to the bond owner, which in this, is the City of Marina

In normal times, the financial advisor would have recommended that FORA sell the escrow bonds at the same time as the original issue bonds. However, because COVID-19 has roiled the bond market, escrow bonds do not have buyers at this time. An option available to the City is to purchase the escrow bonds and place those escrow bonds in the City’s idle cash portfolio. The City is guaranteed payment because the interest has already been deposited with the trustee.

Because of this unique time and the opportunity to obtain approximately \$5 million more in bond proceeds to remove blight in Marina, staff is recommending that the City Council of Marina:

- 1) Authorize an additional amount in escrow bonds be funded besides the basis funding of the FOR A final funding bonds; and,
- 2) Authorize the City of Marina purchase to escrow bonds, to be placed in the City’s idle cash portfolio until the escrow period ends.

The Council would be authorizing the City to purchase these bonds as an investment from its own idle cash portfolio. As of March 31, 2020, Table I, Summary of Cash and Investments, shows that the City had \$48 million in liquid assets. Thus, the proposed purchase represents a little more than 10% of the City’s investment portfolio. Although the City is facing challenging financial times, it is very unlikely that the city would need the last \$5 million in its portfolio before the end of the bond escrow period.

Table I
Summary of Cash and Investments, March 31, 2020

Summary of Cash and Investments								
Amounts in Millions								
Quarter Ending Mar 2020								
	Dec		Mar		Change			
	Yield	Amount	Yield	Amount	Yield	Amount		
LAIF	2.04%	14.4	1.79%	22.1	-0.25%	7.7		
US Treas.	2.47%	20.5	2.47%	20.5	0.00%	-		
Bank	0.00%	6.5	0.00%	0.7	0.00%	(5.8)		
All Others	Variable	1.3	Variable	1.7	Variable	0.4		
	Subtotal	42.7	Subtotal	45.0				
Successor								
LAIF	2.04%	3.2	1.79%	3.9	-0.25%	0.7		
Bank	0.00%	-	0.00%	-	0.00%	-		
All Others	Variable	-	Variable	-	Variable	-		
	Subtotal	3.2	Subtotal	3.9				
Total Cash Assets		45.9	48.9					

Further the opportunity to increase the investment in blight removal while earning a very competitive interest rate (projected at 3.5% compared to 1.5% a Local Agency Investment Fund (LAIF)) provides sound reasons for the City to add escrow bonds to the final FORA debt issue.

Staff is working with the FORA’s fiscal agent and Keyser Marsten to finalize its proposal to Council but because of this unique opportunity to increase the removal of blight through this financing option, staff believed it was important for the Council to consider this proposal.

Finally, FORA will be finalizing their bond issue in the next couple of weeks. If the City wishes to add the escrow term bonds to the debt issue, FORA needs to be informed so the final debt package can be finalized and issued prior to June 30, 2020.

ANALYSIS:

The addition of escrow term bonds to the FORA debt issue will allow the City to potentially increase the money available for blight removal by millions, funded from tax increment which would otherwise not be available to the City. The commitment by the City would be to commit to a buying bonds for the escrow period which would otherwise be invested in a more liquid investment. The worst-case scenario would be that there is no tax increment growth over the escrow period, leading to no release of term bonds. In that case, the capitalized interest placed with the escrow trustee would have not been used for blight removal. Further analysis will be presented to Council at the Council meeting.

FISCAL IMPACT:

The probable impact of this action is that \$4 to \$5 million more will be available to the City for blight removal. The worst-case scenario is that \$700,000 or so will be used in interest costs and no escrow bond money will be released if the City experiences no growth in tax increment over the escrow period.

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

Eric Frost
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne Long
City Manager
City of Marina

SOURCE OF FUNDING:

RESOLUTION No. 2020-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA AUTHORIZING THE ADDITION OF “ESCROW TERM BONDS” TO THE PROPOSED FORT ORD REUSE AUTHORITY DEBT ISSUE AND AUTHORIZE THE CITY FINANCE DIRECTOR TO PURCHASE THOSE ESCROW TERM BONDS.

WHEREAS, the Fort Ord Reuse Authority (FORA) is issuing a final funding bond to pay for costs related to the Fort Ord Reuse Authority implementation plan; and,

WHEREAS, this will be the last debt issue by this agency, funded from tax increment the agency receives; and,

WHEREAS, the City of Marina has an opportunity to reasonably increase the monies available for the removal of blight in the City by including “escrow term bonds” in the debt issue; and,

WHEREAS, the current bond market is somewhat in turmoil due to the COVID 19 event leading to a lack of market demand for “escrow term bonds”; and,

WHEREAS, the City has the ability to purchase the escrow term bonds during the escrow period; and,

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MARINA DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council directs the City Manager to work with FORA to add escrow term bonds to the FORA financing; and,

Direct the Finance Director to purchase the escrow term bonds to be placed in the City’s idle cash portfolio for the length of the escrow term bond escrow.

PASSED and ADOPTED by the City Council of the City of Marina at a special meeting duly held on this 12th day of May 2020 by the following vote:

AYES, COUNCIL MEMBERS:

NOES, COUNCIL MEMBERS:

ABSENT, COUNCIL MEMBERS

ABSTAIN, COUNCIL MEMBERS:

Bruce C. Delgado, Mayor

ATTEST:

Anita Sharp, Deputy City Clerk