



CITY COUNCIL AGENDA STATEMENT



August 25, 2020

File ID: 20-0355

TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING BOND AND DISCLOSURE COUNSEL AND JUDICIAL VALIDATION SERVICES IN CONNECTION WITH THE ISSUANCE OF PENSION OBLIGATION BONDS UNDER LEGAL SERVICES AGREEMENT NO. LSA 102214 BETWEEN THE CITY AND STRADLING YOCCA CARLSON & RAUTH.

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

The City of Chula Vista needs Bond and Disclosure Counsel for the issuance of Pension Obligation Bonds (“POBs”). City has an existing legal services agreement (No. LSA 102214) with Straddling Yocca Carlson & Rauth (“SYCR”) that was entered into on March 1, 2015 (“Existing LSA”). SYCR has provided bond and disclosure counsel services to the City for almost 30 years with respect to various types of bond issuances. As result, SYCR has developed a substantial familiarity and understanding with City’s legal structure, authority and financial circumstances. SYCR also has substantial experience with the legal requirements and nuances involved with the issuance of POBs, having served in various legal capacities over the years for POB issuances approaching \$5 billion dollars of POB debt. As a result of its substantial experience with City bond issuances, and with advising other jurisdictions with their POB issuances, SYCR is uniquely qualified to provide legal services to the City in connection with the City’s proposed POB issuance. SYCR has proposed reasonable and appropriate terms for the provision of such services under the terms of the Existing LSA as follows: (1) Bond and Disclosure Counsel Services for a Fixed fee of \$85,000; (2) Judicial Validation Services at existing hourly rates not to exceed total of \$25,000; provided, however, if the matter is contested and the City desired to pursue the litigation, the cap of \$25,000 would not apply and City and SYCR would meet and confer to arrive at a mutually acceptable billing arrangement for the litigation; and (3) with all such amounts payable out of bond proceeds. City staff is recommending the City Council engage SYCR to provide the necessary legal services in connection with the pending POB transaction on the terms presented.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) State Guidelines and has determined that 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.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable

DISCUSSION

The City of Chula Vista is currently in the process of issuing Pension Obligation Bonds. In order to issue bonds, the City requires Bond and Disclosure Counsel.

The City has a Legal Services Agreement in place with Stradling Yocca Carlson & Rauth that became effective on March 01, 2015. This agreement covers services rendered from the effective date until December 31, 2018 and thereafter for succeeding periods of one year from the anniversary date unless terminated or replaced with a new agreement.

The City wishes to extend said agreement for a one-year term through 06/30/2021 in order to receive Bond and Disclosure Counsel and judicial validation services for the issuance of Pension Obligation Bonds.

Scope of Work

- a. Provide ongoing legal advice concerning the financing issues arising related to the issuance of Pension Obligation Bonds.
- b. Consult with Staff, Underwriters, and Financial Advisors in providing legal advice concerning the structure of the Pension Obligation Bonds.
- c. Prepare all legal proceedings deemed necessary or advisable for the authorization, issuance and delivery of bonds; including preparation of: (i) any documentation required for the loan of the bond proceeds, any Indenture of Trust, trust agreements, resolutions or other documents authorizing the issuance of the bonds, all agreements providing collateral security for the bonds except as may be within the scope of responsibility of any attorneys representing other parties to the transaction; (ii) all necessary resolutions, notices of hearings, California Debt Advisory Commission filings and other reports and documents; (iii) all certificates, deeds, requisitions, receipts and other documents required in connection with the delivery of the bonds to the original purchaser thereof; and (iv) all other proceedings of the CITY incidental to or in connection with the issuance, sale and delivery of the bonds.
- d. Apply for any Internal Revenue Service or other rulings deemed necessary by ATTORNEYS and CITY staff to ensure the exemption of interest on the bonds from Federal or, if applicable, State personal income taxation.
- e. Provide a legal opinion (i) approving in all respects the legality of all proceedings of the transaction for the authorization, issuance and delivery of the bonds and related agreements to which the CITY is a party, and (ii) stating that interest on the bonds is exempt from Federal and State personal income taxation, subject only to any qualifications as may be customary under and as required by applicable Federal tax law. Such opinion, shall be addressed to the CITY, provided, however, that ATTORNEYS shall be entitled to execute letters to other interested parties entitling such parties to rely upon such opinion. In addition, subject to the completion of proceedings to the satisfaction of ATTORNEYS, ATTORNEYS shall provide such additional legal opinions to the CITY, the original

purchaser of the bonds, and other interested parties as shall be requested of and deemed appropriate by ATTORNEYS.

- f. Participate in the preparation of those portions of the Official Statement, relating to the accuracy, completeness and legality of the description of the bonds, the legal document prepared by ATTORNEYS, and all other matters relating to the validity of the bonds.
- g. For transaction on which ATTORNEYS are serving as disclosure counsel to CITY, assist in the preparation of the Official Statement and advise CITY regarding federal securities law.
- h. Provide such other services as are customarily performed by bond counsel on similar financing transactions.
- i. Judicial Validation Action Process for the issuance of Pension Obligation Bonds.

COST

SYCR will provide the necessary Bond and Disclosure Counsel Services for a Fixed fee of \$85,000. SYCR will provide Judicial validation for an hourly (refer to attached legal agreement for hourly rates) basis for a not to exceed total of \$25,000. Note: this fee does not include litigation. If the matter is contested and the City desired to pursue the litigation, the cap of \$25,000 would not apply and the City would meet and confer with SYCR to arrive at a mutually acceptable billing arrangement for the litigation.

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 does 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

The costs associated with the work performed by the City's Bond and Disclosure Counsel will be paid out of the Cost of Issuance from bond proceeds.

ONGOING FISCAL IMPACT

None.

ATTACHMENTS

1. Legal Services Agreement with Stradling Yocca Carlson & Rauth.

Staff Contact: Patricia Macias