



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: March 10, 2015 REPORT NO: 15-022

ATTENTION: Council President and City Council

SUBJECT: Series 2015 A&B Lease Revenue Bonds –Preliminary Official Statement Authorization

REFERENCE: 2014 Capital Improvement Program Bond Authorization, Infrastructure Committee (Report No. 13-087) October 21, 2013
2014 Capital Improvement Program Lease Revenue Bonds (Report No. 14-01) December 20, 2013
2014 Capital Improvement Program Lease Revenue Bonds Preliminary Official Statement Authorization (Item 331) March 11, 2014

REQUESTED ACTIONS:

Authorize the form of and distribution of the Preliminary Official Statement (“POS”) for the Lease Revenue Bonds, Series 2015A&B, and authorize the execution, delivery and distribution of the Official Statement.

STAFF RECOMMENDATION:

Approve the requested actions.

SUMMARY:

I. Background

In January 2014, the City Council authorized the issuance of lease revenue bonds in an amount up to \$130 million, in one or more series, to finance General Fund capital improvement projects in an amount up to \$120 million (“Phase 3 CIP Bonds”). The authorization included the approval of all the financing documents related to the Phase 3 CIP Bonds. The financing ordinance approving the issuance of the Phase 3 CIP Bonds was introduced on January 14, 2014, and was approved by City Council on January 28, 2014 (O-20350 – Attachment 1).

The financing plan envisioned the issuance of the Phase 3 CIP Bonds in two series, with the first series to be issued by early April 2014 and the second series planned to occur in April 2015, approximately 12 months from the first issue. The City Council authorized the form and distribution of a Preliminary Official Statement for the first series at the meeting of March 11, 2014. Concurrent with the City Council authorization, the Public Facilities Financing Authority (“PFFA”) authorized the issuance of the first series (“Series A Bonds”) (Resolution FA-2014-

2). On April 8, 2014, the PFFA also took an action authorizing the second series (“Series B Bonds”) (Resolution FA-2014-4).

In April 2014, the Series A issuance process was postponed due to the filing of a reverse validation action challenging the validity of the bond authorizations by the City and the PFFA for, among other things, the Series A Bonds. On November 3, 2014, after trial, the Court ruled in favor of the City and the PFFA and the Court’s judgment was entered on November 20, 2014. The complainant filed a notice of appeal on December 12, 2014 and a briefing schedule has not yet been set by the Court of Appeal.

A similar complaint was filed by the same parties challenging the PFFA’s authorization of the Series B Bonds in June 2014. On January 12, 2015 the Court dismissed the case on procedural grounds. The Court did not reach the merit of the claims finding instead that the complainant’s failure to serve the state certain state officials, as required by statute, denied the Court jurisdiction. Complainant attempted to revive his claim on a procedural motion but this was denied on January 27, 2015. On March 3, 2015, plaintiff filed an appeal from the January 27, 2015 order denying the requested relief. The City Attorney believes that this appeal was not timely filed and intends to file a motion to dismiss the appeal.

After consultation with the Office of the City Attorney, the transaction bond counsel Stradling Yocca Carlson and Rauth, the lead underwriter Citigroup, and the City’s municipal advisor Public Financial Management, the City has made a determination to sell the bonds to suitable investors while the appeal of the November 2014 judgment is pending. Upon issuance of the Series 2015 A&B Bonds, bond counsel will render its final approving opinion that while it cannot guaranty the outcome of the litigation, based on certain assumptions described in the opinion, it is of the belief that the plaintiff’s allegations are without merit. The form of the final approving opinion is attached to the Preliminary Official Statement (Appendix D1 & D2).

II. Discussion

A. Summary of the Series 2015A&B Lease Revenue Bonds

- ***Structure***

Due to the litigation delay, it is recommended that the Series 2015A&B Bonds be issued to generate a combined amount of \$120 million for General Fund capital projects. Due to initial bond approvals as two separate series, and the City receiving two separate judicial rulings for Series A and Series B, the Series 2015 A&B Bonds will remain as two separate series.

There will not be any differences with respect to the use of funds for projects due to the bifurcation. The two series, issued under separate supplements to the Master Indenture and separate amendments to the Master Site Lease and Master Facilities Lease established with the 2012 Deferred Capital Improvement Bonds (see Legal Structure), will be sold on the same day and under a single Official Statement.

- ***Method of Sale:*** Public Offering (limited to institutional investors and professional money managers), Negotiated Sale with ratings from Standard and Poor’s and Fitch Ratings.

A competitive sale was proposed for Series A issue in March 2014. Due to legal complexities with the current bond offering, it is more suitable to sell the bonds utilizing an experienced underwriting syndicate. In a negotiated sale, the City will benefit from pre-marketing resources provided by the underwriters and the City will maintain more flexibility to respond quickly to market conditions. The syndicate is comprised of Citigroup Global Markets, Inc (“Citi”) as senior managing underwriter; with Wells Fargo Securities, J.P. Morgan, and Loop Capital Markets serving as co-managers. The syndicate members were selected through a competitive process in December 2014. The City expects to receive ratings from Fitch Rating Agency (“Fitch”) and Standard & Poor’s Rating Agency (“S&P”) prior to the release of the POS.

- ***Lease of City properties***

To provide lease payments to repay the Series 2015A&B Bonds, the City will execute the second and third amendments of the Master Lease created in 2012. To date, \$140.3 million bonds have been issued using the 2012 Master Lease structure, including Lease Revenue Bonds, Series 2012A (Capital Improvement Projects) in the amount of \$72.0 million, Series 2012B (Fire and Life Safety Facilities Refunding) in the amount of \$18.7 million; Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding) in the amount of \$43.2 million, and Series 2013B (Balboa Park/Mission Bay Park Refunding) in the amount of \$6.3 million (“Prior Bonds”). The Leased Property section of the POS provides descriptions and a table listing properties leased under the Master Lease. In order to support the Series 2015 A&B Bonds, four additional General Fund properties will be leased pursuant to the Master Lease. The proposed properties are listed in Table 1 below, which also notes changes from the preliminary list of properties identified in January 2014 at the time the financing ordinance approval for \$120 million in bond funds was presented to the City Council.

Table 1

General Fund Properties for Series 2015A&B Bonds

- ~~Central Police Vehicle Maintenance Facility~~
- Fire Station #16 (Mt. Soledad)
- ~~Fire Station #24 (Carmel Valley)~~
- Southern Division Police Station
- ~~City Operations Building Complex (City Operations Building and Parkade)~~
- Scripps Miramar Ranch Library Center
- Carmel Valley Multipurpose Community Complex (Park and Recreation Center)
- ~~North University Community Library & Recreation Center~~

Existing General Fund Properties Pledged Under the Master Lease

- Lodge at Torrey Pines (ground lease)
- Hilton San Diego Resort (ground lease)
- Scripps Health Land (ground lease)
- Mission Valley Library
- Fire Communications Building
- Fire Station #9
- Fire Station #11
- Fire Station #37
- Fire Station #44
- House of Charm (Mingei International Museum and Art Institute Building)

UC Regents (ground lease)
Northeastern Police Station

- ***Tax Status***

The Series 2015A&B Bonds will be issued as tax-exempt issuances. The financed projects under each of the categories will be capital in nature with uses limited to governmental purpose. Consistent with the IRS regulations for tax-exempt bonds, the weighted average life of the bonds will not exceed 120% of the weighted average remaining aggregate useful life of all the projects funded by the bonds.

B. Updates to the Form of the Financing & Legal Documents

When City Council authorized the issuance of lease revenue bonds in an amount up to \$130 million in January 2014 (Ordinance No. O-20350), the authorization included the approval of the financing documents related to the Series 2015 A&B Bonds, including: the form of the Second Amendment to the Site Lease, the form of the Second Amendment to the Facilities Lease, the form of the Second Supplemental Indenture, the form of the Continuing Disclosure Certificate, the form of the Notice Inviting Bids, and the form of the Bond Purchase Agreement and authorized the execution of documents substantially in such form for each series of the bonds to be sold.

Of the forms of financing documents authorized, the following documents will be executed: the Second Amendment to the Site Lease and the Third Amendment to the Site Lease, the Second Amendment to the Facilities Lease and the Third Amendment to the Facilities Lease, the Second Supplemental Indenture and the Third Supplemental Indenture, the Continuing Disclosure Certificate, and the Bond Purchase Agreement.

The Notice Inviting Bids will not be utilized because the Series 2015 A&B Bonds will be sold on a negotiated basis. A Bond Purchase agreement (“BPA”), which is an agreement among the City, the PFFA, and the Underwriters, will be executed concurrent with the pricing of the Bonds.

Since the Series 2015 A &B Bonds are sold with pending litigation, the form of the Continuing Disclosure Certificate is being updated. Under Section 5 – Reporting of Significant Events, a requirement has been added that the City shall give notice of the occurrences of any entry of final judgment on litigation related to either Series 2015A or Series 2015B Bonds or upon resolution of any appeal, within ten business days to the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal Market Access (EMMA) service.

C. City Council Authorization of the Preliminary Official Statement (“POS”)

The POS for the Series 2015 A&B Bonds describes the bond offering to the marketplace and includes information about the structure and plan of finance, sources and uses of funds, security and sources of payment of the bonds, risk factors, and the leased property. It provides information that a reasonable investor for these types of securities would need to have to make an informed investment decision.

The POS consists of information regarding the City government and financial information (Appendix A) and certain demographic and economic information pertaining to the City (Appendix B). The POS reflects the latest financial information including information about the

Fiscal Year 2014 financial results, and General Fund current fiscal year budget trends, including the Fiscal Year 2015 Adopted Budget and Mid-Year Budget results. The POS also includes the latest information on General Fund Infrastructure and the Multi-Year Capital Program, Storm Water Program, Litigation Potentially Adversely Affecting the City's General Fund, Labor Relations, Postemployment Healthcare Benefits, Risk Management, Investment of Funds, Bonded and Other Indebtedness, and certain demographic and economic information pertaining to the City. Other appendices include a Summary of Legal Documents (Appendix C), the Form of Bond Counsel Opinion (Appendix D-1 and D-2), DTC and the Book-Entry Only System (Appendix E), and the Form of the Continuing Disclosure Certificate (Appendix F).

The POS includes disclosures regarding the litigation challenges and appeal risk to the Lease Revenue Bonds, Series 2015A&B. The litigation and its risks are described in the following sections: "Introduction – Litigation"; "Certain Risk Factors – Litigation"; "Pending Litigation Challenges to the 2015 Bonds – Series 2015A Bonds Litigation and Series 2015B Bonds Litigation".

With respect to litigation risks, in the POS City discloses to the prospective investors the following: In the event that the California Court of Appeal reverses the favorable decision of the trial court in the Series A litigation, the City intends to appeal to the California Supreme Court. If the California Supreme Court were to issue an adverse final ruling in the pending litigation invalidating the Series 2015 A&B Bonds and financing documents, the PFFA would not be obligated to make, and may be precluded from making, principal and interest payments on the Series 2015A&B Bonds and the City would not be obligated to make, and may be precluded from making, Lease Payments under the Second and Third Amendments to Facilities Lease related to the Series 2015A&B Bonds. In such event, investors could lose their entire investment and may be required to pay back to the PFFA payments previously paid by the PFFA on the Series 2015A&B Bonds. As discussed in the POS, such an outcome could also have an adverse effect on the owners of the Prior Bonds. In addition, as discussed under the section titled "Tax Matters," and "Pending Litigation Challenging the 2015 Bonds" interest on the 2015 Bonds previously paid to owners of the Series 2015A&B Bonds would not be excludable in gross income for purposes of federal income taxation retroactive to the date the Series 2015A&B Bonds were issued.

In light of the litigation challenging the validity of the 2015 Bonds and related documents, the purchase of the Series 2015A&B Bonds involves investment risk and are not suitable investments for all investors. City will be requiring that only professional investors (institutional and professional money managers) will be permitted to purchase the initial offering of the 2015 Bonds.

For prospective investors review, a copy of the complaint filed by the plaintiff in the Series 2015A Bonds Litigation is attached to the POS as Appendix G and a copy of the judgment and official transcript of the Superior Court's ruling is attached as Appendix H. A copy of the complaint filed by the plaintiff in the Series 2015B Bonds Litigation is attached as Appendix I and a copy of the order of dismissal entered by the Superior Court's is attached as Appendix J.

In accordance with the Disclosure Practices Working Group ("DPWG") Controls and Procedures, a Financing Group convened to assist in the preparation of the POS and in identifying and soliciting material from City departments. The Financing Group consisted of the Disclosure Counsel, Deputy City Attorney for Finance, and staff from Debt Management,

Financial Management, Real Estate Assets, and Office of the City Comptroller. Other City departments involved in the preparation of the POS include Risk Management, City Treasurer's Office, Transportation & Storm Water, and Public Works. All of the aforementioned City departments have provided pertinent information for inclusion in the POS and were available to address questions from the Disclosure Counsel, DPWG and underwriters and their counsel. Representatives from the underwriting syndicate, senior and co-manager firms, and the underwriter's counsel have reviewed the disclosure document.

DPWG has reviewed all the updates to the POS for City Council approval. Consistent with the DPWG Controls and Procedures, necessary certifications from various City management staff involved in the preparation or review of the disclosures will be compiled by DPWG. The certifications of the Mayor, the City Attorney, the Chief Financial Officer, and DPWG will be provided to the City Council prior to the City Council hearing.

Concurrent with this POS Authorization, the PFFA will convene to approve the form and distribution of the POS, and delivery and distribution of the Official Statement (OS).

D. Financing Timeline

The POS for the Series 2015A&B Bonds is expected to be released on or about March 26, 2015, prior to which any changes or updates to the POS will be distributed electronically to the City Council by DPWG after review and approval. The Series 2015A&B Bonds are planned to be priced the week of April 6, 2015 and bond closing with monies made available for capital projects is anticipated to occur on April 21, 2015.

E. Financing Team

The City's Financing Team consists of staff of the Department of Finance, including the Chief Financial Officer and staff of the Debt Management Department, the Comptroller's Office, the Treasurer's Office, the Risk Management Department, and the Financial Management Department. The Financing Team also includes staff of the Real Estate Assets Department, the City Attorney's Office, the Department of Public Works, Engineering & Capital Projects, and the Department of Transportation & Storm Water. External members include: Public Financial Management, Inc. ("PFM") as the financial advisor; Stradling Yocca Carlson & Rauth as Bond and Disclosure Counsel; Citigroup Global Markets, Inc. as Senior Managing Underwriter; Orrick, Herrington & Sutcliffe LLP, as Underwriters' Counsel, Wells Fargo Securities as Co-Managing Underwriter; J.P. Morgan as Co-Managing Underwriter; Loop Capital Markets as Co-Managing Underwriter; Wells Fargo Bank, National Association as Trustee; Chicago Title Company as title insurance provider; and DF Davis Real Estate, Inc., Hilco Real Estate Appraisal, LLC and FirstService PGP Valuation as appraisers.

FISCAL CONSIDERATIONS:

A. Bond Proceeds, Interest Rate, and Projected Debt Service

Based upon current market conditions, the total proceeds from the Series 2015A&B Bonds is estimated to be approximately \$121.2 million, providing funding to establish the \$120.0 million construction fund for CIP expenditures and to pay for financing costs of issuance.

Table 2

<u>Estimated Sources and Uses of Funds</u> ¹	
	<u>Total</u>
<u>Estimated Sources</u>	
Bond Proceeds	\$121,206,000
Total Sources of Funds	\$121,206,000
 <u>Estimated Uses</u>	
Deposit to Construction Fund	\$120,000,000
Costs of Issuance ²	1,206,000
Total Uses of Funds	\$121,206,000

¹ Preliminary, subject to change.

² Costs of issuance include underwriters' discount, bond and disclosure counsel fees, municipal advisory fees, trustee fees, title insurance costs, appraisal fees, rating agency fees, POS and OS electronic printing/posting costs, City staff costs, and other miscellaneous expenses (see Attachment 2). Additional proceeds due to rounding are \$6,000.

Below is a summary of fiscal impact at current market rates (estimates, subject to change).

- All-in True Interest Cost (All-in TIC) for the Series 2015A&B Bonds: 4.16%
- Average annual debt service for Series 2015A&B Bonds: \$7.0 million

Series 2015A&B Bonds debt service is budgeted in Citywide Program Expenditures and is projected at approximately \$7.0 million annually in Fiscal Years 2016–2045. These are estimates.

The actual cost of borrowing will depend on the market conditions at the time the Series 2015 A&B Bonds are sold.

Under the current lease revenue bond levels, the projected Lease Payments payable by the City as a percentage of General Fund revenues is at 4.56% for Fiscal Year 2015. The Series 2015 A&B Bonds debt service commences in Fiscal Year 2016 and would increase the Lease Payments as a percentage of General Fund revenues from a projected 3.67% to 4.20% in Fiscal Year 2016 (no impact in Fiscal Year 2015). The significant reduction in the lease burden percentage from Fiscal Year 2015 to Fiscal Year 2016 is due to the retirement of the McGuigan Settlement Obligation which was paid off on July 1, 2014.

B. Use of Bond Proceeds

The proceeds amounting to \$120 million from the bond issue will be allocated to the following capital improvement categories.

- ADA Improvements \$ 4,300,000
- Facilities - Improvements 8,830,000
- Facilities - New 34,750,000
- Sidewalks 1,000,000
- Storm Drain Improvements 21,960,000
- Streets 49,160,000
- TOTAL \$120,000,000

Public Works and Finance branch will also be periodically evaluating actual cash draw needs for the planned projects within these asset categories and monitor availability of other funding including pay-go funds for the projects. Programming of the bond funds in project categories that are in active funding utilization phases will allow for an efficient timely spend down of the bond proceeds.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On March 11, 2014, Resolution No. R-308808 was approved by City Council, authorizing the form and distribution of a Preliminary Official Statement and authorizing the execution, delivery and distribution of an Official Statement for the Series 2014 Bonds.– See Item No. 331 to City Council Meeting of March 11, 2014.

On January 28, 2014, Ordinance No. O-20350 was approved by City Council, authorizing the issuance of the Phase 3 CIP Bonds and the related financing documents – See Report to City Council Number 14-01.

On January 27, 2014, Resolution No. R-308714 was approved by City Council, authorizing the appropriation and expenditure of Phase 3 CIP Bonds.

On October 28, 2013 the Infrastructure Committee reviewed and approved the Phase 3 CIP Bond Authorization to advance to City Council – See Infrastructure Committee Report Number 13-087, and Infrastructure Committee Report Number 13-088 – Deferred Capital Bond Funded Program Update.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Community outreach and public participation is handled on a project basis through the Department of Public Works. Also see above.

KEY STAKEHOLDERS:

Business entities associated with the bond offering: Stradling Yocca Carlson & Rauth (Bond and Disclosure Counsel); Citigroup Global Markets, Inc. (Senior Managing Underwriter); Orrick, Herrington & Sutcliffe LLP (Underwriters' Counsel); Wells Fargo Securities (Co-Managing Underwriter); J.P. Morgan (Co-Managing Underwriter); Loop Capital Markets (Co-Managing Underwriter); Wells Fargo Bank, National Association (Trustee); Public Financial Management, Inc. (Financial Advisor); Standard & Poor's (Rating Agency); Fitch Ratings (Rating Agency); Chicago Title Company (title insurance); D.F. Davis Real Estate, Inc., Hilco Real Estate Appraisal, LLC and FirstService PGP Valuation (appraisals); and the AVIA (Electronic Printing of POS and OS).



Lakshmi Kommi
Debt Management Director



Mary Lewis
Chief Financial Officer

Attachment 1 - Ordinance No. O-20350

Attachment 2 – Estimated Costs of Issuance for Series 2015 A & B Bonds

5500- 1/28/14

ORDINANCE NUMBER O- 20350 (NEW SERIES)

DATE OF FINAL PASSAGE FEB 12 2014

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE AMENDMENTS TO SITE LEASE, AMENDMENTS TO FACILITIES LEASE AND OFFICIAL NOTICE INVITING BIDS; AUTHORIZING THE EXECUTION, DELIVERY AND PERFORMANCE OF ONE OR MORE SUPPLEMENTAL INDENTURES BY THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO; AUTHORIZING THE CITY ATTORNEY TO APPOINT BOND COUNSEL AND DISCLOSURE COUNSEL; APPROVING AND AUTHORIZING THE ISSUANCE AND SALE IN ONE OR MORE SERIES OF THE AUTHORITY'S LEASE REVENUE BONDS; AND APPROVING OTHER DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH.

WHEREAS, Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California authorizes and empowers local agencies to form a joint powers authority and Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (Marks-Roos Local Bond Pooling Act of 1985) authorizes and empowers such an authority to issue bonds for the purpose of financing and refinancing public capital improvements or projects to further public purposes and effect significant public benefits, as determined by the local agency; and

WHEREAS, the City of San Diego (City), the Successor Agency to the Redevelopment Agency of the City of San Diego, and the Housing Authority of the City of San Diego have heretofore entered into a Third Amended and Restated Joint Exercise of Powers Agreement dated January 1, 2013 (Joint Powers Agreement), which created and established the Public Facilities Financing Authority of the City of San Diego (Authority) for the purpose, among

others, of issuing its bonds to be used to provide financial assistance to the City to finance and refinance public capital improvements; and

WHEREAS, the Authority has previously entered into an Indenture, dated as of July 1, 2012 as supplemented and amended by the First Supplemental Indenture, dated as of July 1, 2013 (together, the Master Indenture), each with Wells Fargo Bank, National Association, as trustee (the Trustee), to provide for the issuance of lease revenue bonds pursuant to the terms of the Master Indenture for the benefit of the City; and

WHEREAS, pursuant to the Master Indenture, the Authority has issued various series of bonds (the Prior Bonds) to finance certain capital projects and to refund various obligations of the City and the Authority; and

WHEREAS, pursuant to Section 2.13 of the Master Indenture, the Authority may at any time issue additional bonds pursuant to Supplemental Indentures to be secured under the Master Indenture on a parity with the Prior Bonds; and

WHEREAS, the City has determined that: (i) the issuance of Additional Bonds (defined below) by the Authority is in the public interest and will benefit the inhabitants of the City; (ii) there are significant public benefits (within the meaning of California Government Code section 6586) to be derived from securing the assistance of the Authority to finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City (collectively, the Projects); and (iii) the Projects are or will be at various locations within the geographic boundaries of the City; and

WHEREAS, the Council of the City made the aforementioned determinations after holding a public hearing on the date thereof and hearing all interested persons desiring to be heard; and

WHEREAS, a notice of a public hearing concerning the adoption of this Ordinance was duly published once at least five days prior to such hearing in a newspaper of general circulation in the City; and

WHEREAS, the City currently contemplates selling the Additional Bonds in two separate bond sales and desires to maintain the flexibility to sell the Additional Bonds in one or more series at separate intervals as described herein; and

WHEREAS, in order to finance the Projects with net bond proceeds of \$120,000,000 and to achieve such public purposes, and to timely issue bonds when funds are needed for the Projects, the City has determined to request and approve the Authority's issuance in one or more series of not to exceed \$130,000,000 aggregate principal amount of its Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds (the Additional Bonds) pursuant to the Marks-Roos Local Bond Pooling Act of 1985 and secured by the Master Indenture, as supplemented and amended by one or more Supplemental Indentures, each by and between the Authority and the Trustee; and

WHEREAS, in order to provide for the payment of the Prior Bonds, the City has leased certain real property of the City (the Existing Property) to the Authority pursuant to the Site Lease, dated as of July 1, 2012 as amended by the First Amendment to Site Lease, dated as of July 1, 2013 (together, the Master Site Lease), and the Authority has leased to the City pursuant to the Facilities Lease, dated as of July 1, 2012 as amended by the First Amendment to Facilities

Lease, dated as of July 1, 2013 (together, the Master Facilities Lease) certain real property as described therein; and

WHEREAS, in order to provide for the payment, equally and ratably, of the Prior Bonds and the Additional Bonds, the Authority and the City will enter into one or more amendments to the Master Site Lease pursuant to which the City will add to the property leased to the Authority thereunder additional property of the City (the Additional Leased Property and, together with the Existing Property, the City Property), and one or more amendments to the Master Facilities Lease, pursuant to which the Authority will add to the property leased to the City thereunder the Additional Leased Property (together, the Leased Property) and the City will agree to make base rental payments to the Authority (the Base Rental Payments) calculated to be sufficient to enable the Authority to pay the principal of and interest, and premium (if any), on the Prior Bonds and the Additional Bonds when due and payable; and

WHEREAS, the City has determined that the Additional Bonds be sold by a competitive sale pursuant to an Official Notice Inviting Bids (the Notice Inviting Bids), and a summary thereof to be published as required by law, or, as and to the extent described herein, by a negotiated sale pursuant to the terms of one or more Bond Purchase Agreements (the Purchase Agreements) among the City, the Authority and the underwriters therein named; and

WHEREAS, there has been presented to this meeting the following documents relating to the issuance of the Additional Bonds; and

1. a proposed form of Second Amendment to Site Lease between the City and the Authority, a copy of which is on file in the office of the City Clerk as Document No. 00-20350-1, under which the City will lease the City Property to the Authority;

2. a proposed form of Second Amendment to Facilities Lease between the Authority and the City, a copy of which is on file in the office of the City Clerk as Document No. 00- ~~20350~~² under which the Authority will lease the Leased Property to the City;

3. a proposed form of Second Supplemental Indenture between the Authority and the Trustee, a copy of which is on file in the office of the City Clerk as Document No. 00- ~~20350~~⁻³, under which the Authority will issue one or more series of the Additional Bonds;

4. a proposed form of Notice Inviting Bids regarding the Additional Bonds, a copy of which is on file in the office of City Clerk as Document No. 00-~~20350~~⁻⁴, under which the Additional Bonds will be sold at competitive sale;

5. a proposed form of Purchase Agreement regarding the Additional Bonds among the City, the Authority and the underwriters to be selected as described herein should any of the Additional Bonds be sold at a negotiated sale, a copy of which is on file in the office of City Clerk as Document No. 00-~~20350~~⁻⁵, under which the Additional Bonds; and

6. a proposed form of Continuing Disclosure Certificate of the City, a copy of which is on file in the office of the City Clerk as Document No. 00-~~20350~~⁻⁶ (the documents described in paragraphs 1 through 6, are collectively referred to as the "Financing Documents"); and

WHEREAS, pursuant to Chapter 730 of the statutes of 1976, section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Council does hereby find that the deposit and withdrawal of the proceeds of the sale of Additional Bonds in the Local Agency Investment Fund in accordance with the provisions of California Government Code section 16429.1 for the purpose of investment as stated therein are in the best interests of the City; and

WHEREAS, the City is authorized to undertake the actions described in this Ordinance pursuant to its Charter and the Constitution and other applicable laws of the State of California; NOW, THEREFORE,

BE IT ORDAINED by the Council of the City of San Diego, as follows:

Section 1. The Council hereby finds and determines that the statements set forth above in the recitals to this Ordinance are true and correct.

Section 2. The Council hereby finds that the financing of the Projects, as described in the recitals to this Ordinance, will provide significant public benefits in accordance with the criteria specified in California Government Code section 6586.

Section 3. The form and content of the Second Amendment to Site Lease, pursuant to which the City leases the City Property to the Authority, are hereby authorized and approved. Any of the Mayor, the Chief Operating Officer or the Chief Financial Officer and each of them or any of their respective designees (each, an Authorized Signatory) are hereby severally authorized and directed, for and in the name and on behalf of the City to execute and deliver one or more amendments to the Master Site Lease substantially in the form of the Second Amendment to Site Lease (with each amendment to be numbered sequentially) presented to and considered at this meeting, and the City Clerk or her specified designees, and each of them, are authorized and directed to attest thereto, with such additions and changes therein (including, without limitation, the description of the Additional Leased Property to be leased thereunder) as

any Authorized Signatory, in consultation with the City Attorney, shall determine are necessary or desirable and shall require or approve and that such Authorized Signatory believes to be in the best interests of the City, and as are approved as to form by the City Attorney or his specified designee, such approvals to be conclusively evidenced by such Authorized Signatory's execution and delivery thereof.

Section 4. The form and content of the Second Amendment to Facilities Lease, pursuant to which the Authority leases to the City the Leased Property and the City agrees to pay Base Rental Payments and other payments, are hereby authorized and approved. Each Authorized Signatory is hereby severally authorized and directed, for and in the name and on behalf of the City, to execute and deliver one or more amendments to the Master Facilities Lease substantially in the form of the Second Amendment to Facilities Lease (with each amendment to be numbered sequentially) presented to and considered at this meeting, and the City Clerk or her specified designees, and each of them, are authorized and directed to attest thereto, with such additions and changes therein (including, without limitation, the description of the Additional Leased Property to be leased thereunder) as any Authorized Signatory, in consultation with the City Attorney, shall determine are necessary or desirable and shall require or approve and that such Authorized Signatory believes to be in the best interests of the City, and as are approved as to form by the City Attorney or his specified designee, such approvals to be conclusively evidenced by such Authorized Signatory's execution and delivery thereof.

Section 5. The form and content of the Second Supplemental Indenture, pursuant to which the Authority will issue one or more series of Additional Bonds, and the execution, delivery and performance by the Authority of one or more Supplemental Indentures substantially in the form of the Second Supplemental Indenture (with each supplement to be numbered

sequentially) presented to and considered at this meeting, are hereby authorized and approved. Each Authorized Signatory is severally authorized and directed to take such action as is necessary or appropriate to effectuate the transactions set forth in the Supplemental Indentures with such additions and changes therein as any Authorized Signatory shall determine are necessary or desirable and shall require or approve and that such Authorized Signatory believes to be in the best interests of the City, and as are approved as to form by the City Attorney or his specified designee, such approvals will be conclusively evidenced by such Authorized Signatory's execution and delivery of its approval thereof.

Section 6. The City Attorney or his specified designee is authorized to retain Stradling Yocca Carlson & Rauth, a Professional Corporation as bond counsel and disclosure counsel for the City and the Authority in connection with the issuance of the Additional Bonds under such contracts or other arrangements as the City Attorney or his specified designee shall approve and believes to be in the best interests of the City. Such contracts or other arrangements shall be in an amount not to exceed \$65,000 for the first issue of Additional Bonds and \$60,000 for each subsequent issue plus, in each case, reasonable out-of-pocket expenses not to exceed \$1,500.

Section 7. The City hereby authorizes and approves, and requests the Authority to approve and authorize, the issuance and sale by the Authority of its Additional Bonds in one or more series in a total aggregate principal amount not to exceed \$130,000,000 by competitive sale, or, alternatively, under the conditions described herein, by negotiated sale, provided that: (i) the true interest cost of each series of the Additional Bonds shall not exceed 7.0%, (ii) the final maturity of each series of the Additional Bonds shall not be later than 30 years following their date of issuance, and (iii) there shall first be presented to the Disclosure Practices Working

Group and this Council for approval a form of preliminary official statement for each series of Additional Bonds. Each of the Chief Financial Officer and the Chief Operating Officer, or their designees, in consultation with the City's Financial Advisor, is hereby authorized to approve the Additional Bond pricing, the timing and number of Additional Bond issues, the redemption, maturities, interest rates, and other Additional Bond features, and to award the sale of the Additional Bonds to the winning bidder as determined under the terms set forth in the Notice Inviting Bids for each series of Additional Bonds.

Section 8. The form and content of the Notice Inviting Bids, pursuant to which the Authority is authorized to offer each series of the Additional Bonds for competitive sale, are hereby authorized and approved. Each Authorized Signatory is hereby severally authorized and directed for and in the name and on behalf of the City to cause each series of the Additional Bonds to be sold by the Authority at competitive sale in accordance with the terms set forth in Section 7 above and the terms set forth in the Notice Inviting Bids for each series and to cause a summary of the Notice Inviting Bids to be published in accordance with any notice requirements imposed by law; provided, however, if an Authorized Signatory, with the advice of the City's Financial Advisor for a series of Additional Bonds, determines that a competitive sale is not in the best interests of the City due to market conditions or other factors, then that series of Additional Bonds may be sold at a negotiated sale pursuant to Section 9 below.

Section 9. The form and content of the Purchase Agreement are hereby authorized and approved. In the event that a determination is made in accordance with Section 8 above that a series of Additional Bonds is to be sold at negotiated sale, each Authorized Signatory is hereby severally authorized and directed for and in the name and on behalf of the City, to execute and deliver one or more Purchase Agreements in connection with the purchase and sale of such

Additional Bonds, substantially in the form presented to and considered at this meeting, with such changes and additions therein, including without limitation naming the underwriters for each series of Additional Bonds sold at a negotiated sale, as such Authorized Signatory shall determine are necessary and desirable and that any such Authorized Signatory believes are in the best interests of the City and as are approved as to form by the City Attorney or his specified designee, such approvals to be conclusively evidenced by the execution and delivery of each Purchase Agreement.

Section 10. The source of revenue for payment of the Additional Bonds hereby authorized is the Base Rental Payments to be made by the City under and as defined in the Master Facilities Lease.

Section 11. The form and content of the Continuing Disclosure Certificate are hereby authorized and approved. Each Authorized Signatory is hereby severally authorized and directed for and in the name and on behalf of the City, to execute and deliver one or more Continuing Disclosure Certificates in connection with the purchase and sale of the Additional Bonds, substantially in the form presented to and considered at this meeting, with such changes and additions therein as such Authorized Signatory shall determine are necessary or desirable and shall require or approve and believes to be in the best interest of the City and as are approved as to form by the City Attorney or his specified designee, such approvals to be conclusively evidenced by the execution and delivery thereof.

Section 12. Authorized officers of the City are hereby authorized and directed to pay all the fees and other costs of issuance of the Additional Bonds in accordance with the Supplemental Indentures, any Purchase Agreements and as otherwise agreed with the City and the respective parties thereto.

Section 13. All actions heretofore taken by any officers, employees or agents of the City with respect to the issuance, delivery or sale of the Additional Bonds, or in connection with or related to any of the Financing Documents or of the other documents referenced herein or related to consummating the financing of the Projects, are hereby approved, confirmed and ratified. Any Authorized Signatory and any other officers, employees or agents of the City as may be authorized by the Mayor, the Chief Financial Officer or the Chief Operating Officer, and each of them acting alone, is hereby severally authorized and directed, for and in the name and on behalf of the City: (i) to do any and all things and take any and all actions, from time to time, consistent with this Ordinance and the Financing Documents and other documents authorized by this Ordinance including, without limitation, adding or removing real property assets of the City from the Leased Property for each series of Additional Bonds and the payment of necessary and appropriate fees and expenses of bond counsel, disclosure counsel, financial advisor and other services retained by the City; and (ii) to execute and deliver any and all certificates, agreements and other documents (including, without limitation, a tax compliance certificate) required pursuant to the terms of the Notice Inviting Bids, any Purchase Agreement or any other Financing Document, or which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Additional Bonds and the disbursement of proceeds thereof in accordance with this Ordinance and to consummate the transactions authorized hereby and evidenced by the Financing Documents. In addition, each of the Mayor, the Chief Financial Officer and the Chief Operating Officer is hereby authorized to approve additions and changes to the Financing Documents and the other documents authorized by this Ordinance (including, but not limited to, establishing the redemption provisions of the Additional Bonds, determining which capital improvement Projects are financed with proceeds of the

Additional Bonds, and determining which parcel or parcels of City property shall be included as Additional Leased Property for each series of Additional Bonds), which additions and changes the Mayor, the Chief Financial Officer or the Chief Operating Officer shall believe, with the advice of the City's Financial Advisor for the Additional Bonds, to be in the best interest of the City in light of the financing costs, credit and market conditions, such determination shall be conclusively evidenced by the execution and delivery of such Financing Documents and other documents by the City; and provided further that no such addition or changes may be inconsistent with limitations in Sections 7, 8 or 9 hereof.

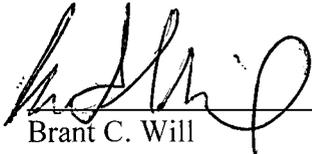
Section 14. The Council does hereby authorize the deposit and withdrawal of the proceeds of the sale of Additional Bonds, including such proceeds held by the Trustee, in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of section 16429.1 of the California Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard. Any of the Mayor, Chief Operating Officer, Chief Financial Officer, City Treasurer, City Comptroller, or the Trustee on behalf of the City are hereby authorized to order the deposit or withdrawal of the proceeds of the sale of Additional Bonds in the Local Agency Investment Fund.

Section 15. The Chief Financial Officer is authorized to establish one or more special interest-bearing account(s) to deposit proceeds from the Additional Bonds.

Section 16. A full reading of this ordinance is dispensed with prior to its passage, a written or printed copy having been made available to the City Council and the public prior to the day of its passage.

Section 17. That this ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

APPROVED: JAN I. GOLDSMITH, City Attorney

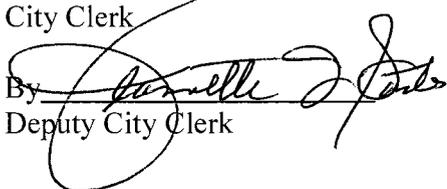
By 

Brant C. Will
Deputy City Attorney

BCW:jdf
12/26/2013
Or.Dept: Debt Management
Doc. No.: 696098_2

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of JAN 28 2014.

ELIZABETH S. MALAND
City Clerk

By 

Deputy City Clerk

Approved pursuant to Charter section 265(i):

(date)

TODD GLORIA, Council President

JAN 28 2014

Passed by the Council of The City of San Diego on _____, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Sherrri Lightner	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kevin Faulconer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Todd Gloria	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Myrtle Cole	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mark Kersey	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Lorie Zapf	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scott Sherman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Alvarez	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marti Emerald	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage FEB 12 2014

AUTHENTICATED BY: TODD GLORIA, COUNCIL PRESIDENT
as interim Mayor of The City of San Diego, California.

(Seal) ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

By *Elizabeth S. Maland*, Deputy

I HEREBY CERTIFY that the foregoing ordinance was not finally passed until twelve calendar days had elapsed between the day of its introduction and the day of its final passage, to wit, on JAN 14 2014, and on FEB 12 2014.

I FURTHER CERTIFY that said ordinance was read in full prior to passage or that such reading was dispensed with by a vote of five members of the Council, and that a written copy of the ordinance was made available to each member of the Council and the public prior to the day of its passage.

(Seal) ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

By *Elizabeth S. Maland*, Deputy

Office of the City Clerk, San Diego, California
Ordinance Number O-_____

**2015 A&B Lease Revenue Bonds - \$120 Million
Estimated Costs of Issuance**

<u>Description</u>	<u>Firm</u>	<u>Estimate</u>
Bond & Disclosure Counsel (inc. expenses)	Stradling Yocca Carlson & Rauth	\$ 245,000
General Disclosure Counsel	Hawkins Delafield & Wood	20,000
Financial Advisor (inc. expenses)	Public Financial Management, Inc.	83,000
Trustee Fees	Wells Fargo	15,000
Title Insurance Policies	Chicago Title Company	69,600
Property Appraisal Fees	D.F. Davis, Hilco Real Estate	26,000
POS/OS Printing	AVIA	300
Advertising	Bond Buyer	500
City Labor Costs	City Staff	175,000
Rating Agency Fees	Standard & Poor's, Fitch Ratings	144,500
Misc. (OBD Table)	MuniServices	475
Contingency (5% of subtotal) & Additional Proceeds due to Rounding		<u>44,625</u>
	Subtotal	<u>\$ 824,000</u>
Underwriter's Discount		382,000
	Estimated Total Costs of Issuance	<u>\$ 1,206,000</u>