

City of Port Hueneme

**CITY OF PORT HUENEME
SUCCESSOR AGENCY BOARD
SPECIAL MEETING**

JULY 17, 2017

6:30 P.M.

(Prior to City Council Meeting)

**PORT HUENEME CITY HALL: 250 NORTH VENTURA ROAD
PORT HUENEME, CA 93041**

A G E N D A

1. CALL TO ORDER, ROLL CALL

2. AGENDA: *(Amend / Approve)*

3. NEW BUSINESS:

A. APPROVE PROPOSED REFUNDING OF REDEVELOPMENT BONDS, BOND COUNSEL SERVICES AGREEMENT WITH NOSSAMAN LLP, PLACEMENT AGENT AGREEMENT WITH PIPER JAFFRAY, AND FISCAL CONSULTANT AGREEMENT WITH RSG INC.

Action: It is recommended the Successor Agency to the Port Hueneme Redevelopment Agency ("Successor Agency") take the following action:

- 1) Adopt a resolution approving the commencement of a proposed refunding of certain outstanding obligations and bonds of the former Port Hueneme Redevelopment Agency ("Former RDA") and the Successor Agency to the Former RDA ("Successor Agency").
- 2) Approve an Agreement for Bond Counsel Services with Nossaman LLP.
- 3) Approve a Placement Agent Agreement with Piper Jaffray & Co ("Piper Jaffray").

- 4) Approve a Fiscal Consultant Agreement with RSG, Inc. for preparation of a Fiscal Consultant's Report ("FCR").

RESOLUTION NO. _____

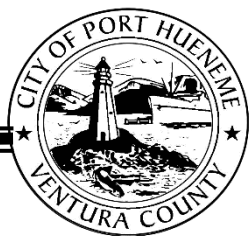
A RESOLUTION OF THE SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY APPROVING A PRELIMINARY SUBMISSION TO THE CALIFORNIA DEPARTMENT OF FINANCE REGARDING A PROPOSED REFUNDING OF CERTAIN OUTSTANDING OBLIGATIONS OF THE FORMER PORT HUENEME REDEVELOPMENT AGENCY

4. **OPEN FORUM:** *Anyone wishing to speak to the Board on any item NOT on the Agenda may do so. Please approach the podium and give your name and address clearly for the record.*

ADJOURNMENT: Adjourn the meeting.

Copies of staff reports or other written documentation relating to each item of business referred to in this Agenda are available for public inspection in the Office of the City Clerk and on the City's website at www.cityofporthueneme.org. Materials received after agenda packet distributions are made available to the public on the City's website and in the City Clerk's office at the same time they are provided to the Council. The public may address any item on the Agenda by submitting a speaker card to the Clerk prior to or during the time the matter is addressed by the Council. Speaker comments are limited to three minutes.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, CONTACT THE OFFICE OF THE CITY CLERK AT 986-6503 OR THE CALIFORNIA RELAY SERVICE. NOTICE 48 HOURS PRIOR TO THE MEETING WILL ENABLE THE CITY TO MAKE REASONABLE ARRANGEMENTS TO ALLOW PARTICIPATION IN THIS MEETING.



City of Port Hueneme

SUCCESSOR AGENCY AGENDA STAFF REPORT

TO: The Successor Agency to the Port Hueneme Redevelopment Agency

FROM: Rod Butler, City Manager

SUBJECT: APPROVE PROPOSED REFUNDING OF REDEVELOPMENT BONDS, BOND COUNSEL SERVICES AGREEMENT WITH NOSSAMAN LLP, PLACEMENT AGENT AGREEMENT WITH PIPER JAFFRAY, AND FISCAL CONSULTANT AGREEMENT WITH RSG INC.

DATE: July 17, 2017

RECOMMENDATION:

It is recommended the Successor Agency to the Port Hueneme Redevelopment Agency ("Successor Agency") take the following action:

- 1) Adopt a resolution approving the commencement of a proposed refunding of certain outstanding obligations and bonds of the former Port Hueneme Redevelopment Agency ("Former RDA") and the Successor Agency to the Former RDA ("Successor Agency").
- 2) Approve an Agreement for Bond Counsel Services with Nossaman LLP.
- 3) Approve a Placement Agent Agreement with Piper Jaffray & Co ("Piper Jaffray").
- 4) Approve a Fiscal Consultant Agreement with RSG, Inc. for preparation of a Fiscal Consultant's Report ("FCR").

BACKGROUND:

In 2011, the California Legislature adopted, and the Governor signed, Assembly Bill ("AB") x1 26 which effectively dissolved all redevelopment agencies in the State of California.

Governor Brown signed AB 1484 on June 27, 2012 and Senate Bill 107 on September 22, 2015, significantly changing and clarifying certain provisions of ABx1 26 (collectively the "Dissolution Act"). The Dissolution Act authorizes the Successor Agency to

undertake proceedings for the refunding of outstanding bonds and other obligations of the Former RDA with the approval of the Oversight Board to the Successor Agency (“Oversight Board”) and the California Department of Finance (“DOF”).

Hilltop Securities, Inc. has prepared an analysis of the potential savings that will accrue to the Successor Agency and to applicable taxing entities (“Refunding Analysis”) with the refunding of the R-76 1993 Tax Allocation Refunding Bonds (“1993 Bonds”) and the Central Community Project 2004 Subordinate Tax Allocation Refunding Bonds (“2004 Bonds”) and, collectively with the 1993 Bonds, the “RDA Bonds”).

The Financing Team is recommending a Private Placement of the Bonds, as opposed to a public sale. A Private Placement is sold to one investor, as opposed to selling to multiple investors through a public sale. Using a Private Placement for the refinancing of the RDA Bonds would lower the overall cost of refunding and issuance since the Private Placement will not require:

- 1) an Official Statement,
- 2) an Underwriter’s Discount to sell the Bonds,
- 3) rating fees to rate the bonds,
- 4) SEC monitored Continuing Disclosure obligations other than annual audits to the bank, and
- 5) potentially, a Debt Service Reserve Fund.

The purchaser of the Private Placement may possibly not require a Debt Service Reserve Fund, which is usually 10% of the issue size. There are significant savings from the legal costs of preparing and printing an Official Statement.

ANALYSIS:

Nossaman, LLP, as Bond Counsel, will prepare the legal documentation necessary to refinance the RDA Bonds. Piper Jaffray, as Placement Agent, will prepare a bid term sheet that will go out to banks who are potential purchasers of the Private Placement. Hilltop Securities, Inc., already under contract, will serve as a Municipal Advisor on the financing and assist with preparing the bid term sheet and determining the winning bidder. RSG, as Fiscal Consultant, will prepare an FCR that will be necessary for potential purchasers of the Private Placement before they bid on the Private Placement.

The Financing Team of Nossaman, LLP, Piper Jaffray, and Hilltop Securities will work on a contingent basis to provide the documentation necessary to DOF and will not be compensated until, and if, the 2017 Bonds close. Other participants will also provide ancillary services on a contingent basis.

It will be necessary to hire RSG to provide an FCR. RSG has assisted the Successor Agency on many dissolution matters since the Dissolution Act and assisted the Former RDA in redevelopment matters prior to the Dissolution Act. An independent FCR, which

cannot be paid on a contingent basis, will be required by the buyer of the Private Placement. The cost for the FCR of \$35,500 is not a contingent cost but can be deferred and placed on a future ROPS for repayment should the refinancing not close.

Once the Successor Agency and Oversight Board approve the concept of the refinancing and the Financing Team, an approval process from DOF would start. DOF would be provided with the savings analysis and cost of issuance. Within five days of receiving the Oversight Board resolution, DOF could request up to 60 days to review documents. If satisfied, DOF will provide their approval to proceed with a formal application. Once DOF provides their preliminary approval, the legal documentation and updated savings numbers will be provided to the Successor Agency and Oversight Board for approval. The legal documentation can then be taken back to DOF for final approval, if necessary. The refinancing can then be closed after receiving final DOF approval, if necessary.

Given that DOF can take up to 65 days to provide their approval for both the preliminary and formal applications, this entire process can take up to 4 to 6 months.

FISCAL IMPACT:

Based on interest rates of May 12, 2017, **the gross savings are now estimated at \$2.4 million.** This translates to approximately \$2.3 million in gross present value savings and \$476,000 of present value savings net of prior funds on hand, which is 5.2% of the refunded RDA Bonds. These savings numbers included the estimated cost of issuance. An industry “rule of thumb” is that any savings more than 3% of net present value savings is considered good economic refunding. This refunding meets this criterion. It is also important to note that the Private Placement Series 2017 Bonds (“2017 Bonds”) will not extend the maturity of the RDA Bonds.

Approximately 16% of the Successor Agency’s annual cash flow savings would benefit the City, through the waterfall distribution of property tax increment under the Dissolution Act. According to calculations by Hilltop Securities, Inc., **the City could expect approximately \$65,145 of attributable annual cash flow savings to the General Fund.** It is important to note that these savings will be lower in certain years. Most notably, the City may not experience any of the savings in fiscal year 2017-18 as a result of the timing of when revenues are requested for debt service under the Dissolution Act. However, over the remaining life of the 2017 Bonds, the City should receive the attributable cash flow savings as estimated by Hilltop Securities, Inc.

The risk to the financing are:

- 1) interest rates could move up, thereby eliminating any potential savings (although interest rates could also move down increasing potential savings) and
- 2) DOF could refuse approval for the refinancing.

Therefore, it is prudent to move as quickly as possible to start the DOF preliminary approval process and close the Private Placement.

CONCLUSION:

Approval by the Successor Agency of the resolution and agreement will allow the Financing Team to begin the various steps necessary to refinance the RDA Bonds. The process will include preliminary approval from the Oversight Board and DOF. Once DOF approves the concept of the refinancing, legal documentation will be brought back to both the Oversight Board and Successor Agency for final approval before new bonds are issued to refinance the current bonds.

ATTACHMENTS:

- 1.) Successor Agency A Resolution of the Successor Agency to the Port Hueneme Redevelopment Agency Approving a Preliminary Submission to the California Department of Finance Regarding a Proposed Refunding of Certain Outstanding Obligations of the Former Port Hueneme Redevelopment Agency
- 2.) Agreement for Bond Counsel Services with Nossaman LLP
- 3.) Private Placement Agreement with Piper Jaffray & Co.
- 4.) Fiscal Consultants Report Scope of Work and Fee Estimate from RSG, Inc.

SUCCESSOR AGENCY RESOLUTION NO. ____

A RESOLUTION OF THE SUCCESSOR AGENCY TO THE PORT HUENEME REDEVELOPMENT AGENCY APPROVING A PRELIMINARY SUBMISSION TO THE CALIFORNIA DEPARTMENT OF FINANCE REGARDING A PROPOSED REFUNDING OF CERTAIN OUTSTANDING OBLIGATIONS OF THE FORMER PORT HUENEME REDEVELOPMENT AGENCY

The Successor Agency to the Port Hueneme Redevelopment Agency (“Successor Agency”) does resolve as follows:

Section 1. The Board finds and declares that:

- A. Pursuant to the dissolution of redevelopment agencies per Assembly Bill (“AB”) x1 26 (Chapter 5, Statutes of 2011) and ABx1 27 (Chapter 6, Statutes of 2011), and subsequent legislation, AB 1484 (Chapter 26, Statutes of 2012) and Senate Bill 107 (Chapter 325, Statutes of 2015) (altogether, “Dissolution Act”), the City of Port Hueneme (“City”) adopted Resolution No. 4002 on January 11, 2012, electing to serve as the Successor Agency to the Port Hueneme Redevelopment Agency (“Successor Agency”);
- B. The former Port Hueneme Redevelopment Agency (“Former Agency”) is obligated to the pay the R-76 1993 Tax Allocation Refunding Bonds issued in the aggregate principal amount of \$3,320,000 (the “1993 Bonds”) and the Central Community Project 2004 Subordinate Tax Allocation Refunding Bonds issued in the aggregate principal amount of \$12,210,000 (the “2004 Bonds” and, collectively with the 1993 Bonds, the “RDA Bonds”) for the purpose of refinancing programs, projects and activities relating to the Former Agency’s R-76 project area and Central Community Project area (“Project Areas”) from tax increment revenues derived from the Project Areas;
- C. AB 1484, among other things, amended the California Health and Safety Code (“H&S Code”) to authorize the Successor Agency to issue bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of the Title 5 of the California Government Code (the “Refunding Law”) for the purpose of achieving debt service savings;
- D. The Dissolution Act added Section 34177.5 to the H&S Code, which authorizes the Successor Agency to undertake proceedings for the refunding of outstanding bonds and other obligations of the Former Agency, subject to the conditions precedent contained in Section 34177.5 and the approval of the Oversight Board to the Successor Agency (“Oversight Board”) and the California Department of Finance (“DOF”);

- E. The Successor Agency is considering the refunding of the RDA Bonds by issuing a series of bonds (the “Refunding Bonds”) under and pursuant to the Refunding Law, which will produce debt service savings, thereby increasing the amount of residual property taxes paid to the taxing entities;
- F. The Successor Agency has caused to be prepared by Hilltop Securities, Inc. (the “Municipal Advisor”) an analysis of the potential savings that will accrue to the Successor Agency and to affected taxing entities as a result of such refunding (the “Refunding Analysis”), attached as Exhibit A to this Resolution, and intends to submit the plan of refunding (including the Refunding Analysis) to the Oversight Board and DOF for preliminary approval;

Section 2. *Approval.* The Successor Agency approves the submittal of the proposed plan of refunding (including the Refunding Analysis) to the DOF for preliminary approval; provided, the Successor Agency is under no obligation to go forward with the issuance of the Refunding Bonds unless satisfactory terms are presented to the Successor Agency.

Section 3. *Authorization.* The Successor Agency hereby directs staff to cause the preparation of appropriate documentation for the issuance of the Refunding Bonds, and to submit such documentation to the Successor Agency and the Oversight Board for approval. Hilltop Securities, Inc., as financial advisor already under contract, Piper Jaffray, as a placement agent, Nossaman, LLP, as bond counsel, and RSG, Inc., as fiscal consultant, are hereby appointed by the Successor Agency in connection with the preparation of the Refunding Bond transaction. The Successor Agency hereby authorizes and directs staff to execute and deliver an agreement with said consultants of firms not yet under contract for their respective services and any additional consultants or firms necessary for the Refunding Bond transaction. Provided that any and all compensation to such consultants or firm shall be payable solely from the proceeds of the Refunding Bonds, except RSG, Inc. whose fee for preparation of the fiscal consultant report is a non-contingent cost, may be deferred, and may be payable from tax revenues of the Successor Agency or the proceeds of the Refunding Bonds.

Section 4. *Environmental Determination.* The adoption of this Resolution is exempt from review under the California Environmental Quality Act (Cal. Pub. Res. Code §§ 2100, *et seq.*, “CEQA”) and CEQA regulations (14 CCR §§ 15000, *et seq.*) because it establishes rules and procedures to implement government funding mechanisms; does not involve any commitment to a specific project which could result in a potentially significant physical impact on the environment; and constitutes an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. Accordingly, the adoption of this Resolution does not constitute a “project” that requires environmental review (see 14 CCR § 15378(b)(4-5)).

Section 5. *Reliance on Record.* Each and every one of the findings and determinations in this Resolution are based on the competent and substantial evidence, both oral and written, contained in the entire record relating to the Successor Agency and applicable law. The findings and determinations constitute the independent findings and

determinations of the Successor Agency in all respects and are fully and completely supported by substantial evidence in the record as a whole.

Section 6. *Summaries of Information.* All summaries of information in the findings, which precede this Section, are based on the substantial evidence in the record including, without limitation, verbal and documentary evidence submitted to the Successor Agency. The absence of any particular fact from any such summary is not an indication that a particular finding is not based in part on that fact.

Section 7. *Certification.* The Secretary is directed to certify the adoption of this Resolution; record this Resolution in the book of the Successor Agency's original resolutions; and make a minute of the adoption of the Resolution in the Successor Agency's records and the minutes of this meeting.

Section 8. *Effectiveness.* This Resolution will become effective immediately upon adoption and will remain effective unless repealed or superseded.

PASSED, APPROVED, AND ADOPTED this 17th day of July, 2017.

SUCCESSOR AGENCY

TOM FIGG, MAYOR

ATTEST:

**MICHELE KOSTENIUK, CITY CLERK
ON BEHALF OF THE SUCCESSOR
AGENCY**

APPROVED AS TO CONTENT:

**ROD BUTLER, CITY MANAGER
ON BEHALF OF THE SUCCESSOR
AGENCY**

AGREEMENT FOR BOND COUNSEL SERVICES

THIS AGREEMENT (the “Agreement”) is made and entered into this ____ day of July, 2017, between the Successor Agency to the Port Hueneme Redevelopment Agency, whose address is 250 North Ventura Road, Port Hueneme, CA 93041 (the “Successor Agency”), and Nossaman LLP, a partnership including professional corporations (“Nossaman”) whose address is 18101 Von Karman Ave., Ste. 1800, Irvine, California 92612.

WITNESSETH:

WHEREAS, the Successor Agency proposes to refinance certain obligations of the former Port Hueneme Redevelopment Agency; and

WHEREAS, Nossaman is specifically trained and experienced in the conduct of proceedings for accomplishing the refinancing of the Obligations through the preparation, sale and delivery of privately placed, tax-exempt or taxable refunding obligations for such purposes (the “Obligations”); and

NOW, THEREFORE, in consideration of the covenants and premises herein contained and other good and valuable consideration, the parties hereto agree as follows:

1. Duties. Nossaman shall provide legal services in connection with the authorization, execution and delivery of the Obligations (the “Transaction”). Such services shall include, but not be limited to, the following:

a. Conferring and consulting with the Successor Agency, the officers, administrative staff, financial advisor, placement agent, fiscal consultant and other representatives of the Successor Agency, the Oversight Board of the Successor Agency, the Department of Finance, and the purchaser of the Obligations, in connection with the preparation and formulation of the Transaction.

b. Attendance at all meetings of the Successor Agency, Oversight Board, and any administrative meetings at which the Transaction is to be discussed or otherwise deemed necessary for the proper planning of the Transaction, when requested to attend such meetings by the Successor Agency.

c. Preparation of the Resolutions of Issuance, security documents and all other resolutions, agreements, notices and other documents necessary for the proper conduct and consummation of the Transaction.

d. A review of all financial documents for legal sufficiency.

e. Supervision of title work with respect to the Transaction.

f. Preparation of an incumbency certificate, an arbitrage certificate, and any and all other closing documents required of the Successor Agency to accompany delivery of the financing documents.

g. Attendance at and supervision of the closing, and issuing the legal opinion of Nossaman stating that the interest payments with respect to the Obligations is exempt from present Federal and State income taxes, as the case may be, and approving in all respects the legality of all proceedings for the authorization, issuance, sale and delivery of the Obligations and other agreements relating to the Transaction.

h. Preparation of a transcript of the closing of the Transaction.

i. Conferring and consulting with Successor Agency officials and agents with regard to any problems which may arise prior to the maturity of the issuance.

j. Providing any other necessary services, including ongoing monitoring of the Transaction after the sale of the Obligations and assistance to the Successor Agency regarding the Transaction, generally expected of Nossaman not listed above.

2. Compensation. For provision of the services to be rendered pursuant to this Agreement relating to the issuance of the Obligations, the Successor Agency shall pay Nossaman a fee of \$30,000. Additionally, Bond Counsel shall be reimbursed for any out-of-pocket expenses incurred by it in the course of this engagement, such as reproduction and printing costs, preparation of transcripts, filing fees, travel outside of California at the request of the Successor Agency and similar items, up to a maximum amount of \$1,000. Said fee is payable only upon issuance of the Obligations, and shall be paid from proceeds thereof.

In the event Nossaman is requested to perform additional work outside of its normal and customary services as special counsel, such as litigation, Nossaman will be paid additional compensation therefor following the submission of monthly, itemized bills at the hourly rate of the attorney performing such services; provided, however, there shall be no additional compensation due Nossaman under the paragraph without the prior approval of the Successor Agency.

3. Assignment. This Agreement may be assigned by the Successor Agency to any other issuer of the securities as may be necessary to consummate the Transaction, without the consent of but with notice to Nossaman.

4. No Guarantees; Entire Agreement. Nothing in this Agreement and nothing in our statements to you should be construed as a guarantee or promise about the outcome of the Transaction or any phase thereof. We make no such guarantees or promises. Comments about the course or outcome of the Transaction or any phase thereof which we may make from time to time are expressions of opinion only. The written Agreement constitutes the

entire Agreement between the parties hereto with respect to Nossaman services and neither party has been induced to make or enter into this Agreement by reason or promise, agreement, representation, statement or warranty other than as herein contained.

5. Other Representation. Nossaman may, from time to time, have clients with interests which may be potentially adverse to the Successor Agency. Nossaman reserves the right to represent said clients except on matters directly relating to the issuance and sale of the Obligations. We will disclose any such potential conflict to you and will seek a waiver of that conflict. We will of course work with you and our other clients to construct an appropriate ethical wall to protect the confidences of all of our clients and to clearly separate our work in any such case. Although we are not asking for a waiver now since these conflicts may not emerge, we ask that you agree to give good faith consideration to our requests for any such waivers in the future. This will allow us to better serve all of our clients.

6. Work Product. Our files developed in the course of work undertaken pursuant to this Agreement are your property. We will release those files to you or to anyone else you designate upon your written request delivered to the attorney in charge of this matter. However, such a request will signify the end of this engagement if it is then still ongoing. You agree that we may, in our sole discretion, copy all or any portion of such files at your expense and retain such copies, and that we may have a reasonable period of time before releasing the documents to you or your designee in order to make the copies. We will from time to time send portions of your files that are not currently needed to an off-site storage facility. The cost of using this facility will be our sole expense. However, we are not the guarantor of the security of any off-site storage facility. Accordingly, you agree that the firm will not be responsible for any damages which may occur as a result of the loss of any of your files which we store at an off-site storage facility. You also agree that we may, after the passage of two years without our having performed any work for you pursuant to this engagement, destroy the files of this engagement without further notice to you unless you have previously provided us with written instructions to forward the files to you or to another person you designate.

7. Insurance. We carry professional liability insurance which would cover the services we will be providing under the terms of this Agreement. That insurance is subject to a self-insured retention.

8. Litigation Fees and Costs. If an action or proceeding is commenced to enforce this Agreement or any provision hereof, the prevailing party in such an action or proceeding shall be entitled to recover the reasonable amount of his, her or its fees and costs thereof, in addition to compensatory damages. For the purposes of enforcing this Agreement only, and as otherwise required by law, you agree that this Agreement may be disclosed to a court or arbitrator.

9. Notices. All notices, demands, requests, consents and approvals given, required or permitted to be given hereunder, shall be contained in writing and shall be deemed sufficiently given if sent by express delivery service or by registered or certified mail, postage

prepaid and return receipt requested, addressed to the parties at the addresses set forth above or on any addendum or counterpart to this Agreement, or to such other address as the recipient shall have notified the sender of in writing. You agree to keep us currently informed of any change in your address or telephone numbers so that we may effectively communicate with you. We will also advise you promptly of any change in the firm's business address, electronic mail address, telephone or facsimile numbers.

10. California Law. This Agreement is made under and shall be construed in accordance with the substantive laws of the State of California, without reference to choice of law rules.

11. Counterparts. This Agreement may be executed in counterparts each of which shall be deemed an original but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers and representatives thereto duly authorized, all as of the day and year first above written.

**SUCCESSOR AGENCY TO THE PORT
HUENEME REDEVELOPMENT
AGENCY**

By: _____
City Manager

NOSSAMAN LLP, a partnership including
professional corporations

By: _____
Albert R. Reyes, a Partner

July 7, 2017

Mr. Rod Butler, City Manager
City of Port Hueneme
250 North Ventura Road
Port Hueneme, CA 93041

Re: Engagement Letter
Successor Agency to the Port Hueneme Redevelopment Agency
Tax Allocation Refunding Bonds Series 2017

Mr. Butler:

This letter confirms the agreement between Piper Jaffray & Co. (“Piper Jaffray” or “we” or “us”) and the Successor Agency to the Port Hueneme Redevelopment Agency and its heirs, employees, companies, administrators, successors, corporate parents, subsidiaries, affiliates, and guarantors whether existing now or formed subsequent to the date hereof for purposes of entering into the Transaction (as hereafter defined) (the “Issuer” or “you”) as follows:

1. **Engagement.** The Issuer engages Piper Jaffray to act as your exclusive representative for the proposed private transaction (the “Transaction”) by sale of the above referenced bonds (collectively, the “Securities”), and we accept this engagement upon the terms and conditions set forth in this agreement.

During the term of our engagement, we will, as appropriate to the Transactions:

- consult with you in planning and implementing the Transaction;
- assist you in preparing any transaction materials (the “Transaction Materials”) we mutually agree are beneficial or necessary to the consummation of the Transaction;
- assist you in preparing for due diligence conducted by potential investors;
- identify potential investors and use our reasonable commercial efforts to assist in arranging sales of the Securities to investors;
- consult with you in structuring the investment; and
- assist you in negotiating definitive documentation, including the form of issue price certificate to be provided by the purchaser(s) of the Securities (not us) to you.

As currently contemplated, the Transactions will be a sale of Securities with gross proceeds of approximately \$9,200,000. You acknowledge and agree that our engagement pursuant to this letter is not an agreement by us or any of our affiliates to underwrite or purchase any Securities or otherwise provide any financing, nor an agreement by you to issue and sell any Securities. You may in your discretion postpone, modify, abandon or terminate the Transaction prior to closing. We may decline to participate in any of the Transaction if we reasonably determine that the Transaction has become impractical or undesirable.

The Issuer further acknowledges and agrees that, in arranging for approved buyers to purchase the Securities, Piper Jaffray is not acting as the fiduciary of the Issuer and has not assumed an advisory or fiduciary responsibility in favor of the Issuer. In connection with the Transaction, the Issuer has consulted its own legal, tax and financial advisors to the extent it deemed

appropriate. The Issuer agrees that it will not claim that Piper Jaffray has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Issuer in connection with the Transaction or the process leading thereto. Piper Jaffray is not acting as a municipal advisor as defined in Section 15B of the Securities Exchange Act of 1934, as amended, in connection with the matters contemplated by this agreement. See Appendix A for additional required disclosures by use to you.

The Issuer recognizes that, in providing services under this agreement, Piper Jaffray will rely upon and assume the accuracy and completeness of the financial, accounting, tax and other information discussed with or reviewed by Piper Jaffray for such purpose, and Piper Jaffray does not assume responsibility for the accuracy and completeness thereof. Piper Jaffray will have no obligation to conduct any independent evaluation or appraisal of the assets or the liabilities of the Issuer, the City or any other party or entity or to advise or opine on related solvency issues. Nothing in this agreement is intended to confer upon any other person (including creditors, employees or other constituencies of the Issuer) any rights or remedies hereunder or by reason hereof.

2. **Fees.** For our services, you agree to pay us:
 - A fee of \$30,000, payable upon and contingent on the closing of the Transaction.

3. **Representations, Warranties and Agreements of the Issuer.** You represent and warrant to, and agree with us, that:
 - (a) the Securities will be sold by you in compliance with the requirements for exemptions from registration or qualification of, and otherwise in accordance with, all federal and state securities laws and regulations;
 - (b) you agree to be responsible for the accuracy and completeness of any Transaction Materials to the extent of federal securities laws applicable to each Transaction. You agree to notify us promptly of any material adverse changes, or development that may lead to any material adverse change, in your business, properties, operations, financial condition or prospects and concerning any statement contained in any Transaction Material, or in any other information provided to us, which is not accurate or which is incomplete or misleading in any material respect;
 - (c) you will make available to us such documents and other information which we reasonably deem appropriate and will provide us with access to your officers, directors, councilmembers, employees, accountants, counsel and other representatives; it being understood that we will rely solely upon such information supplied by you and your representatives without assuming any responsibility for independent investigation or verification thereof; and
 - (d) at the closing, you will permit us to rely on your representations and warranties, and cause your counsel to permit us to rely upon any opinion, furnished to any purchaser of Securities or any investor letter or certificate provided by such purchaser.

4. **Other Matters Relating to Our Engagement.** You acknowledge that you have retained us solely to provide the services to you as set forth in this agreement. As placement agent, Piper Jaffray may provide advice concerning the structure, timing, terms, and other similar matters concerning the Securities and the primary role of Piper Jaffray is to arrange for the placement of the Securities in an arm's-length commercial transaction between you and Piper Jaffray. Attached to this letter as Appendix A are regulatory disclosures required by the Securities and

Exchange Commission and the Municipal Securities Rulemaking Board to be made by us at this time because of this engagement. We may be required to send you additional disclosures regarding the material financial characteristics and risks of the Transaction or describing those conflicts. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures. It is our understanding that you have the authority to bind the Issuer by contract with us, and that you are not a party to any conflict of interest relating to the Securities. If our understanding is incorrect, please notify the undersigned immediately.

5. **Termination.** You or we may terminate our engagement under this agreement, with or without cause, upon ten days' written notice to the other party. Your representations, warranties and agreements, and the miscellaneous provisions of this agreement will survive and remain operative and in full force and effect regardless of delivery of any payment for the Securities or any termination of our engagement under this agreement.
6. **Miscellaneous.** This agreement, and all claims or causes of action (whether in contract or tort) that may be based upon, arise out of or relate to this agreement or the negotiation, execution or performance of this agreement, will be governed by and construed in accordance with the laws of California. You and we hereby waive all right to trial by jury in any action, proceeding, or counterclaim (whether based upon contract, tort or otherwise) in connection with any dispute arising out of this agreement or any matters contemplated by this agreement. This agreement embodies the entire agreement and understanding between you and us and supersedes all prior agreements and understandings relating to the subject matter of this agreement. This agreement may be executed in any number of counterparts. The invalidity or unenforceability of any provision of this agreement will not affect the validity or enforceability of any other provisions of this agreement, which will remain in full force and effect. You and us will endeavor in good faith negotiations to replace the invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid or unenforceable provisions. This agreement is solely for the benefit of you and us, and no other person will acquire or have any rights by virtue of this agreement.

Please confirm that the foregoing correctly and completely sets forth our understanding by signing and returning to us the enclosed duplicate of this engagement agreement.

Thank you.

Sincerely,



Katherine A. Koster, Managing Director
Piper Jaffray & Co.

Acknowledgement of Approval of Engagement
and Receipt of Appendix A Disclosures
Rod Butler, City Manager
City of Port Hueneme

Date: _____

Appendix A – G-17 Disclosure

We are providing you with certain disclosures relating to the Bonds as required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17 in accordance with MSRB Notice 2012-25 (May 7, 2012)¹. Under new federal regulations, all underwriters and placement agents are now required to send the following disclosures to you (as the Issuer of the Bonds) in order to clarify the role of a placement agent and other matters relating to a private placement of the Bonds.

Piper Jaffray intends to serve as a placement agent respecting the Bonds and not as a financial advisor or municipal advisor to you. As part of our services as a placement agent, Piper Jaffray may provide advice concerning the structure, timing, terms, and other similar matters concerning an issue of municipal securities that Piper Jaffray is placing.

Our Role as Placement Agent:

In serving as placement agent for the Bonds, these are some important disclosures that clarify our role and responsibilities:

- (i) MSRB Rule G-17 requires us to deal fairly at all times with both municipal issuers and investors;
- (ii) Our primary role in this transaction is to facilitate the sale and purchase of municipal securities between you and one or more investors for which we will receive compensation;
- (iii) Unlike a municipal advisor, we do not have a fiduciary duty to you under the federal securities laws and are, therefore, not required by federal law to act in your best interests without regard to our own financial or other interests;
- (iv) We have a duty to arrange the purchase securities from you at a fair and reasonable price, but must balance that duty with our duty to arrange the sale to investors at prices that are fair and reasonable; and
- (v) In the event an official statement is prepared, we will review the official statement for your securities in accordance with, and as part of, our responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the transaction.

Our Compensation:

The placement agent will be compensated by a fee that was negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the placement agent fee will be contingent on the closing of the transaction and the amount of the fee may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the placement agent may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

Risk Disclosures:

In accordance with the requirements of MSRB Rule G-17, attached as Appendix B is a description of the material aspects of a typical fixed rate offering, including the Bonds. This letter may be later supplemented if the material terms of the Bonds change from what is described here.

If you have any questions or concerns about these disclosures, please make those questions or concerns known immediately to me. In addition, you should consult with your own financial, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

¹ [Interpretive Notice](#) Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities (effective August 2, 2012).

Appendix B – Risk Disclosures

The following is a general description of the financial characteristics and security structures of fixed rate municipal bonds (“Fixed Rate Bonds”), as well as a general description of certain financial risks that you should consider before deciding whether to issue Fixed Rate Bonds.

Financial Characteristics

Maturity and Interest. Fixed Rate Bonds are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies and authorities. Maturity dates for Fixed Rate Bonds are fixed at the time of issuance and may include serial maturities (specified principal amounts are payable on the same date in each year until final maturity) or one or more term maturities (specified principal amounts are payable on each term maturity date) or a combination of serial and term maturities. The final maturity date typically will range between 5 and 40 years from the date of issuance. Interest on the Fixed Rate Bonds typically is paid semiannually at a stated fixed rate or rates for each maturity date.

Redemption. Fixed Rate Bonds may be subject to optional redemption, which allows you, at your option, to redeem some or all of the bonds on a date prior to scheduled maturity, such as in connection with the issuance of refunding bonds to take advantage of lower interest rates. Fixed Rate Bonds will be subject to optional redemption only after the passage of a specified period of time, often approximately ten years from the date of issuance, and upon payment of the redemption price set forth in the bonds, which may include a redemption premium. You will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. Fixed Rate Bonds with term maturity dates also may be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

Security

Tax Allocation Bonds

“Tax Allocation Bonds” are debt securities that are payable solely from a portion of ad valorem property taxes generated within a specific designated geographic area, called “Tax Allocation Revenues”. The amount of property tax generated is contingent on the assessed value of the property within the geographic area. To the extent that the assessed value declines from its current value there may be insufficient Tax Allocation Revenues to pay debt service on the Tax Allocation Bonds. To the extent that property owners within the geographic area are delinquent in the payment of their ad valorem taxes, there may be insufficient Tax Allocation Revenues to pay debt service. Tax Allocation Bonds are not a pledge of your full faith and credit and you are obligated to pay principal and interest on your revenue bonds only from the revenue source(s) specifically pledged to the bonds. Tax Allocation Bonds do not permit the bondholders to compel you to impose a tax levy for payment of debt service.

Financial Risk Considerations

Certain risks may arise in connection with your issuance of Fixed Rate Bonds, including some or all of the following:

Redemption Risk

Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

Tax Compliance Risk

The issuance of tax-exempt bonds is subject to a number of requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of the tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption of the bonds. The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the bonds are declared taxable, or if you are subject to audit, the market price of your bonds may be adversely affected. Further, your ability to issue other tax-exempt bonds also may be limited.



RSG, INC.
309 WEST 4TH STREET
SANTA ANA, CALIFORNIA
92701-4502

T 714 541 4585
F 714 541 1175
E INFO@WEBRSG.COM
WEBRSG.COM

Via Electronic Mail

June 9, 2017

Rod Butler, City Manager
CITY OF PORT HUENEME
250 North Ventura Road
Port Hueneme, CA 93041

**FISCAL CONSULTANTS REPORT SCOPE OF WORK AND FEE ESTIMATE
2017 TAX ALLOCATION REFUNDING BONDS**

Dear Mr. Butler:

RSG has prepared this letter outlining our scope of work and non-contingent fiscal consulting fees to prepare an independent forecast of projected tax revenues that would be available to the Port Hueneme Successor Agency for the refunding of the 1993 and 2004 Tax Allocation Bonds for debt service savings.

RSG specializes in providing successor agency and financial consulting services to both public agencies and private participants in the community development process. Our services include redevelopment project adoption/amendments; project implementation and redevelopment agency staffing; fiscal consultant services; economic development programs; and affordable housing program development and administration. RSG's service delivery is enhanced by our aggressive integration of computer applications into project management, scheduling, data storage, and mapping activities. Formulation of innovative solutions, attention to detail, and adherence to schedules are the signatures of our service.

Specific to fiscal consulting work, RSG has had extensive experience in providing fiscal and tax consultant services for cities and redevelopment agencies. Since 2014 and in the post-redevelopment era, RSG has acted as fiscal consultant on several refunding bonds totaling over \$770 million in bond debt refinanced at today's lower rates. A list of RSG's fiscal consulting work for bond financing can be provided upon request.

This letter presents our scope of services, project team, and fee estimate for this engagement.

SCOPE OF SERVICES

The 1993 Bonds are secured by tax increment from the Hueneme Project ("R-76 Project Area"), which was adopted in 1967 and encompasses what is now known as the Seaview Apartments, Anacapa View condominiums, and single-family homes, as well as a portion of the Country Inn.

FISCAL HEALTH
ECONOMIC DEVELOPMENT
REAL ESTATE, HOUSING
AND HEALTHY COMMUNITIES

The R-76 Project Area totals 50 acres and is essentially complete, as no significant development has occurred in approximately 40 years.

The 2004 Bonds are secured by tax increment from the Central Community Project Area, which was adopted on February 14, 1973 and later amended four times to add territory, to reconcile certain provisions of the redevelopment plan with the City's General Plan land use and policy provisions, and to establish time and financial limits pursuant to the passage of Assembly Bill 1290. In total, the Central Community Project Area includes approximately 432 acres, comprised of the areas known as Surfside, Market Street Landing, Ventura East, Ventura West, and the Added Area.

Moreover, following the dissolution of Redevelopment Agencies with Assembly Bill x1 26, as described in Health and Safety Code Section 34170 *et seq.*, property tax increment from all of a successor agency's project areas can be used to pay its debt service. As a result, tax increment revenue generated from the NCEL Project Area is also relevant in the calculation of coverage for the 1993 and 2004 Bonds.

RSG will compile and analyze data; project potential R-76 Project Area, Central Community Project Area, and NCEL Project Area (collectively, the "Project Areas") revenues; and prepare a fiscal consultant's report as outlined below.

1. Task I: Provide Client and Financing Team Pledged Tax Revenue Forecast

- a. Collect and analyze **2017-18** parcel-by-parcel assessment roll data for the Project Areas from the Ventura County ("County") Assessor's office, expected to be equalized in August 2017.
- b. Analyze assessed values and resale reassessments by land use category in 2017 to discern specific changes in the Project Areas' property values and project potential changes in assessed values in 2018-19 and beyond.
- c. Study delinquency data for the County and Project Areas to discern trends in receipts for the Project Areas.
- d. Collect and analyze data from City Planning and Building Divisions regarding major construction in the Project Areas finalized since January 1, 2017.
- e. Review Successor Agency compliance with the Dissolution Act and incorporate any material issues into our projections of estimated RPTTF funds available.
- f. Evaluate pass through and other Successor Agency enforceable obligations to project repayment of debts that may be senior to any financing.
- g. Prepare pass through subordination documentation and tables (if required).

2. Task II: Draft Fiscal Consultant's Report

- a. Update historical assessed values and tax increment receipts based on records from the County Auditor-Controller's office.
- b. Prepare a top ten taxpayers analysis using the 2017-18 secured and unsecured assessment rolls.
- c. Collect current data on assessment appeals for the past five years, including obtaining any updates on any top ten taxpayer assessment appeals.
- d. In consultation with Bond Counsel, describe and evaluate the current requirements and practices employed by the State Department of Finance, County Auditor-Controller, and Successor Agency necessary to claim, apportion, and pay enforceable obligations (including refunding bond debt service).
- e. Update and incorporate the above information in a projection of Redevelopment Property Tax Trust Fund disbursements by ROPS period and fiscal year and prepare the necessary modifications to the fiscal consultant's report.
- f. Circulate for comment a draft fiscal consultant's report to the Client and Financing Team for review and promptly respond to any questions, edits, or comments.

3. Task III: Closing Assistance

- a. Respond to Follow-Up Inquiries from Underwriter, Rating Agency, Prospective Investors, or Other Parties Leading Up to Closing.
- b. Execute Fiscal Consultant's Certificate for Bond Closing to be prepared by Bond Counsel.

PROJECT TEAM

The Principal in charge of this engagement is Hitta Mosesman. She will be assisted by Dima Galkin, Associate, and Brett Poirier, Senior Analyst. The engagement will be led by Ms. Mosesman, who will attend meetings and oversee all aspects of the work product. Other RSG personnel will be assigned as necessary.

FEE QUOTE AND PAYMENT TERMS

RSG shall undertake the scope of work expeditiously following the release of the 2017-18 equalized assessment roll for a fixed fee of **\$35,500**. Though not contingent on the issuance of any debt, RSG is willing to postpone payment of fees until the earlier of bond closing or December 31, 2017. In the event the bond refunding is terminated and suspended for reasons beyond our control, RSG will request payment for fees incurred to date.

Rod Butler, City Manager
CITY OF PORT HUENEME
June 9, 2017
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Thank you for the opportunity to assist the City and Successor Agency with this refinancing. Should you have any questions or require any additional information, please do not hesitate to contact me. A signature block executing this agreement is below; if approved, please return a signed copy to RSG or provide a contract in the City's preferred format.

Sincerely,
RSG, INC.



Hitta Mosesman
Principal

Approved by:
PORT HUENEME SUCCESSOR AGENCY

Signature

Printed Name / Title / Date