

**AGENDA
ITEM**

16



AGENDA STAFF REPORT (City Council)

DATE: November 28, 2018

TO: Mayor and City Council/Chairperson and Board of Directors

PREPARED BY: David B. Dale, City Manager/Executive Director *DK for D.D.*

SUBJECT: Approving an Indenture of Trust, an Installment Purchase Agreement, a Continuing Disclosure Agreement, a Bond Purchase Agreement, a Preliminary Official Statement, and Authorizing Certain Actions in Connection with the Issuance by the Calexico Financing Authority of its Wastewater Revenue Bonds, Series 2018A in the Aggregate Principal Amount Not to Exceed \$20,000,000; and

Approving an Indenture of Trust, an Installment Purchase Agreement, a Continuing Disclosure Agreement, a Bond Purchase Agreement, a Preliminary Official Statement, and Authorizing Certain Actions in Connection with the Issuance by the Calexico Financing Authority of its Water Revenue Bonds, Series 2018A in the Aggregate Principal Amount Not to Exceed \$30,000,000

Recommendation:

It is recommended that the City adopt the attached Resolutions of the City of Calexico: a Resolution of the City Council of the City of Calexico Approving an Indenture of Trust, an Installment Purchase Agreement, a Preliminary Official Statement, a Continuing Disclosure Agreement, and a Bond Purchase Agreement and Authorizing Certain Actions Relating Thereto for the Water System Financing; and a Resolution of the City Council of the City of Calexico Approving an Indenture of Trust, An Installment Purchase Agreement, a Preliminary Official Statement, a Continuing Disclosure Agreement and Authorizing Certain Actions Relating Thereto for the Wastewater System Financing.

Background:

The City owns and operates a Water System and a Wastewater System and the City desires to finance new capital improvements for the Water System and the Wastewater System (the "Projects").

Discussion & Analysis:

The City Resolution would approve issuance of the Bonds and the forms of an Indenture of Trust, an Installment Purchase Agreement, a Continuing Disclosure Agreement, a Bond Purchase Agreement and a Preliminary Official Statement.



The City has adopted a Capital Improvement Plan that details the upgrades necessary and estimated costs to maintain and improve the operations of the City owned water and wastewater systems. The proposed financing for the Water System is in the principal amount of approximately \$19,255,000 and will include the refunding of the Community Redevelopment Agency of the City of Calexico Water System Lease Revenue Bonds, Issue of 2007, currently outstanding in the principal amount of \$12,030,000 to obtain interest rate savings and will finance additional improvements to the Water System. The proposed financing for the Wastewater System is in the principal amount of approximately \$28,140,000 and will finance additional improvements to the Wastewater System.

Fiscal Impact:

The City financing will allow the City to implement capital improvement projects for the City owned Water System and Wastewater System.

Coordinated With:

City Manager's Office.
Finance Department.

Attachments:

1. Resolution Of The City Council Of The City Of Calexico Approving An Indenture Of Trust, An Installment Purchase Agreement, A Continuing Disclosure Agreement, A Bond Purchase Agreement, A Preliminary Official Statement, A Continuing Disclosure Agreement And Authorizing Certain Actions In Connection With The Issuance By The Calexico Financing Authority Of Its Water Revenue Bonds, Series 2018a In The Aggregate Principal Amount Not To Exceed \$20,000,000
2. Resolution Of The City Council Of The City Of Calexico Approving An Indenture Of Trust, An Installment Purchase Agreement, A Continuing Disclosure Agreement, A Bond Purchase Agreement, A Preliminary Official Statement, A Continuing Disclosure Agreement And Authorizing Certain Actions In Connection With The Issuance By The Calexico Financing Authority Of Its Wastewater Revenue Bonds, Series 2018a In The Aggregate Principal Amount Not To Exceed \$30,000,000.

Note: Copies of Attachments 3 to 7 below can be found under Item No. 17 of this agenda packet.

3. Indenture of Trust.
4. Installment Purchase Agreement.
5. Preliminary Official Statement.
6. Bond Purchase Agreement.
7. Continuing Disclosure Agreement.

RESOLUTION NO. ____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALEXICO APPROVING AN INDENTURE OF TRUST, AN INSTALLMENT PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A BOND PURCHASE AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT, A CONTINUING DISCLOSURE AGREEMENT AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION WITH THE ISSUANCE BY THE CALEXICO FINANCING AUTHORITY OF ITS WATER REVENUE BONDS, SERIES 2018A IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$20,000,000

WHEREAS, the City of Calexico, California (the "City") owns and operates a water system (the "Water System"); and

WHEREAS, the City desires to (a) refund and defease the \$14,030,000 Community Redevelopment Agency of the City of Calexico Water System Lease Revenue Bonds Issue of 2007, currently outstanding in the aggregate principal amount of \$12,030,000 (the "Refunding") and (b) finance new capital improvements for the Water System (the "Projects" and, together with the Refunding, the "Financing"); and

WHEREAS, the Calexico Financing Authority (the "Authority") is empowered to assist the City in financing and refinancing certain public capital improvement projects pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and pursuant to that certain Joint Exercise of Powers Agreement, dated December 1, 1990, by and between the City and the Community Redevelopment Agency of the City of Calexico; and

WHEREAS, it has been proposed that the Authority assist the City in providing funds to accomplish the Financing by entering into an Installment Purchase Agreement with the City (the "Installment Purchase Agreement"), and providing for the issuance of the Authority's Water Revenue Bonds, Series 2018A (the "2018A Water Bonds") pursuant to an Indenture of Trust (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee; and

WHEREAS, the City has determined that it is necessary and desirable to enter into the Installment Purchase Agreement, whereby the Authority will purchase certain improvements relating to the Water System in consideration for providing funds to accomplish the Financing including the funding of a debt service reserve fund for the 2018A Water Bonds, if necessary or advisable, and paying the costs of issuance of the 2018A Water Bonds, and the City will purchase such improvements from the Authority in consideration for installment payments to be made under the Installment Purchase Agreement in an amount equal in time and amount to the debt service payments on the 2018A Water Bonds; and

WHEREAS, the City is a member of the Authority and the Projects of the City are to be located within the boundaries of the City;

WHEREAS, the construction of the Projects of the City will enhance the City's Water System and provide a significant public benefit; and

WHEREAS, the City hereby finds that the financing of the Projects within the City will result in significant public benefits in the form of a safe and reliable Water System and the more efficient delivery of City services to residential and commercial development; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) ("SB 450") requires that the governing body of a public body obtain prior to authorizing the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds;

NOW, THEREFORE, IT IS HEREBY FOUND, ADOPTED, AND RESOLVED BY THE CITY COUNCIL, AS FOLLOWS:

Section 1. The City hereby approves the Indenture of Trust relating to the 2018A Water Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by any one of the Mayor, the Mayor Pro Tem in the Mayor's absence, or the City Manager of the City, and any one of their respective designees (each, a "Responsible Officer"), such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. The City hereby approves the Installment Purchase Agreement relating to the 2018A Water Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by a Responsible Officer, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The City hereby approves the Continuing Disclosure Agreement relating to the 2018A Water Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by a Responsible Officer, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The City hereby approves the Bond Purchase Agreement relating to the 2018A Water Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by a Responsible Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The aggregate principal amount of the 2018A Water Bonds shall not

exceed \$20,000,000. The Bond Purchase Agreement shall provide for an underwriter's discount of not greater than 0.065% and true interest cost of not greater than 4.50%.

Section 5. The City hereby approves the Preliminary Official Statement relating to the 2018A Water Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by a Responsible Officer in order to make the Preliminary Official Statement final as of its date, except for the omission of certain information, as permitted by Section 240.15c2-12(b)(1) of Title 17 of the Code of Federal Regulations ("Rule 15c2-12"). Any Responsible Officer may execute a certificate relating to the finality of the Preliminary Official Statement under Rule 15c2-12. A Responsible Officer is authorized and directed to execute and deliver a final Official Statement in substantially the form hereby approved, with such additions and changes as may be approved by a Responsible Officer executing the same, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby authorized to distribute the Preliminary Official Statement in the form deemed final and the Official Statement.

Section 6. In accordance with SB 450, good faith estimates of the following are set forth on Exhibit A attached hereto: (a) the true interest cost of the 2018A Water Bonds, (b) the sum of all fees and charges paid to third parties with respect to the 2018A Water Bonds, (c) the amount of proceeds of the 2018A Water Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the 2018A Water Bonds, and (d) the sum total of all debt service payments on the 2018A Water Bonds calculated to the final maturity of the 2018A Water Bonds plus the fees and charges paid to third parties not paid with the proceeds of the 2018A Water Bonds.

Section 7. In connection with the 2018A Water Bonds, the City hereby approves the appointment of (a) Kosmont Transactions Services, as Municipal Advisor, (b) Stifel, Nicolaus & Company, Incorporated, as Underwriter, (b) Norton Rose Fulbright US LLP, as Bond Counsel, (c) Nixon Peabody LLP, as Disclosure Counsel, (d) U.S. Bank National Association, as Trustee, and (e) Ritz & Associates, as Verification Agent. The City Manager is hereby authorized and directed to execute services agreements with these financing team members.

Section 8. The City Manager or any other Responsible Officer, and each of them, is hereby authorized and directed to execute and deliver any and all documents, certificates and agreements (including, but not limited to, escrow agreements or instructions, investment agreements or guaranteed investment agreements) and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, including structuring a reserve fund for the 2018A Water Bonds, and obtaining a municipal bond insurance policy and/or reserve surety for all or a portion of the 2018A Water Bonds.

RESOLUTION NO. ____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALEXICO APPROVING AN INDENTURE OF TRUST, AN INSTALLMENT PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A BOND PURCHASE AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT, A CONTINUING DISCLOSURE AGREEMENT AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION WITH THE ISSUANCE BY THE CALEXICO FINANCING AUTHORITY OF ITS WASTEWATER REVENUE BONDS, SERIES 2018A IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$30,000,000

WHEREAS, the City of Calexico, California (the "City") owns and operates a wastewater system (the "Wastewater System"); and

WHEREAS, the City desires to finance new capital improvements for the Wastewater System (the "Projects"); and

WHEREAS, the Calexico Financing Authority (the "Authority") is empowered to assist the City in financing certain public capital improvement projects pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and pursuant to that certain Joint Exercise of Powers Agreement, dated December 1, 1990, by and between the City and the Community Redevelopment Agency of the City of Calexico; and

WHEREAS, it has been proposed that the Authority assist the City in providing funds to finance the Projects by entering into an Installment Purchase Agreement with the City (the "Installment Purchase Agreement"), and providing for the issuance of the Authority's Wastewater Revenue Bonds, Series 2018A (the "2018A Wastewater Bonds") pursuant to an Indenture of Trust (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee; and

WHEREAS, the City has determined that it is necessary and desirable to enter into the Installment Purchase Agreement, whereby the Authority will purchase certain improvements relating to the Wastewater System in consideration for providing funds to accomplish finance the Projects including the funding of a debt service reserve fund for the 2018A Wastewater Bonds, if necessary or advisable, and paying the costs of issuance of the 2018A Wastewater Bonds, and the City will purchase such improvements from the Authority in consideration for installment payments to be made under the Installment Purchase Agreement in an amount equal in time and amount to the debt service payments on the 2018A Wastewater Bonds; and

WHEREAS, the City is a member of the Authority and the Projects of the City are to be located within the boundaries of the City;

WHEREAS, the City hereby finds that the financing of the Projects within the City will enhance the City's Wastewater System and result in significant public benefits in the form of a safe and reliable Wastewater System and the more efficient delivery of City services to residential and commercial development; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) ("SB 450") requires that the governing body of a public body obtain prior to authorizing the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds;

NOW, THEREFORE, IT IS HEREBY FOUND, ADOPTED, AND RESOLVED BY THE CITY COUNCIL, AS FOLLOWS:

Section 1. The City hereby approves the Indenture of Trust relating to the 2018A Wastewater Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by any one of the Mayor, the Mayor Pro Tem in the Mayor's absence, or the City Manager of the City, and any one of their respective designees (each, a "Responsible Officer"), such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. The City hereby approves the Installment Purchase Agreement relating to the 2018A Wastewater Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by a Responsible Officer, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The City hereby approves the Continuing Disclosure Agreement relating to the 2018A Wastewater Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by a Responsible Officer, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The City hereby approves the Bond Purchase Agreement relating to the 2018A Wastewater Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by a Responsible Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The aggregate principal amount of the 2018A Wastewater Bonds shall not exceed \$30,000,000. The Bond Purchase Agreement shall provide for an underwriter's discount of not greater than 0.065% and true interest cost of not greater than 4.50%.

Section 5. The City hereby approves the Preliminary Official Statement relating to the 2018A Wastewater Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by a Responsible Officer in order to make the Preliminary Official Statement final as of its date, except for the omission of certain information, as permitted by Section 240.15c2-12(b)(1) of Title 17 of the Code of Federal Regulations (“Rule 15c2-12”). Any Responsible Officer may execute a certificate relating to the finality of the Preliminary Official Statement under Rule 15c2-12. A Responsible Officer is authorized and directed to execute and deliver a final Official Statement in substantially the form hereby approved, with such additions and changes as may be approved by a Responsible Officer executing the same, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby authorized to distribute the Preliminary Official Statement in the form deemed final and the Official Statement.

Section 6. In accordance with SB 450, good faith estimates of the following are set forth on Exhibit A attached hereto: (a) the true interest cost of the 2018A Wastewater Bonds, (b) the sum of all fees and charges paid to third parties with respect to the 2018A Wastewater Bonds, (c) the amount of proceeds of the 2018A Wastewater Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the 2018A Wastewater Bonds, and (d) the sum total of all debt service payments on the 2018A Wastewater Bonds calculated to the final maturity of the 2018A Wastewater Bonds plus the fees and charges paid to third parties not paid with the proceeds of the 2018A Wastewater Bonds.

Section 7. In connection with the 2018A Wastewater Bonds, the City hereby approves the appointment of (a) Kosmont Transactions Services, as Municipal Advisor, (b) Stifel, Nicolaus & Company, Incorporated, as Underwriter, (b) Norton Rose Fulbright US LLP, as Bond Counsel, (c) Nixon Peabody LLP, as Disclosure Counsel, and (d) The Bank of New York Mello Trust Company, N.A., as Trustee. The City Manager is hereby authorized and directed to execute services agreements with these financing team members.

Section 8. The City Manager or any other Responsible Officer, and each of them, is hereby authorized and directed to execute and deliver any and all documents, certificates and agreements (including, but not limited to, escrow agreements or instructions, investment agreements or guaranteed investment agreements) and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, including structuring a reserve fund for the 2018A Wastewater Bonds, and obtaining a municipal bond insurance policy and/or reserve surety for all or a portion of the 2018A Wastewater Bonds.

Section 9. All actions heretofore taken by any Responsible Officer or any officer, employee or agent of the City with respect to the issuance, delivery and sale of the 2018A Wastewater Bonds or in connection with or related to any of the agreements referred to herein or the financing of the Projects, are hereby approved, confirmed and ratified.

Section 10. The City Clerk shall certify to the adoption of this Resolution, and thenceforth and thereafter the same shall be in full force and effect. Notwithstanding the foregoing, such certification and any of the other duties and responsibilities assigned to the City Clerk pursuant to this Resolution may be performed by a deputy City Clerk with the same force and effect as if performed by the City Clerk hereunder.

PASSED AND ADOPTED, by the City Council of the City of Calxico on this 28th day of November 2018.

Lewis Pacheco, Mayor

ATTEST:

City Clerk

EXHIBIT A
GOOD FAITH ESTIMATES

The following information was obtained from Kosmont Companies, the municipal advisor with respect to the 2018A Wastewater Bonds, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the 2018A Wastewater Bonds:

1. *True Interest Cost of the 2018A Wastewater Bonds.* Assuming an aggregate principal amount of \$28,145,000 of the 2018A Wastewater Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the 2018A Wastewater Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the 2018A Wastewater Bonds, is 4.0833%.

2. *Finance Charge of the 2018A Wastewater Bonds.* Assuming an aggregate principal amount of \$28,145,000 of the 2018A Wastewater Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the 2018A Wastewater Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the 2018A Wastewater Bonds), is \$677,177.18.

3. *Amount of Proceeds to be Received.* Assuming an aggregate principal amount of \$28,145,000 of the 2018A Wastewater Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the 2018A Wastewater Bonds less the finance charge of the 2018A Wastewater Bonds described in 2 above and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$28,325,894.32.

4. *Total Payment Amount.* Assuming an aggregate principal amount of \$28,145,000 of the 2018A Wastewater Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the 2018A Wastewater Bonds plus the finance charge of the 2018A Wastewater Bonds described in paragraph 2 above not paid with the proceeds of the 2018A Wastewater Bonds, calculated to the final maturity of the 2018A Wastewater Bonds, is \$50,352,559.98.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of 2018A Wastewater Bond sales, the amount of 2018A Wastewater Bonds sold, the amortization of the 2018A Wastewater Bonds sold and

market interest rates at the time of each sale. The date of sale and the amount of 2018A Wastewater Bonds sold will be determined by the Authority based on need for project funds and other factors. The actual interest rates at which the 2018A Wastewater Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the 2018A Wastewater Bonds will also depend, in part, on market interest rates at the time of sale. Market interest rates are affected by economic and other factors beyond the City's and the Authority's control. The Authority has approved the issuance of the 2018A Wastewater Bonds with a maximum true interest cost of 4.50%