

**AGENDA
ITEM**

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AGENDA STAFF REPORT (Calexico Financing Authority)

DATE: November 28, 2018

TO: Chair and Members of the Calexico Financing Authority

APPROVED BY: David B. Dale, City Manager *UK f. D.D.*

PREPARED BY: David B. Dale, City Manager

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:

Staff recommends that the Members of the Calexico Financing Authority approve the attached legal documents in substantially the forms provided authorizing the issuance of Water Revenue Bonds, Series 2018A and Wastewater Revenue Bonds, Series 2018A by the Calexico Financing Authority.

Background:

The proposed financings will enable the City to implement the proposed Water and Wastewater Rates as considered at the public hearing tonight whereby the City can implement its adopted Capital Improvement Plan for each of the water and wastewater systems while keeping future rate increases to a minimum.

Discussion and Analysis:

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

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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 \$28,145,000 and will finance additional improvements to the Wastewater System.

Fiscal Impact:

Issuance of the proposed bonds will result in additional debt in the principal amount of bonds issued for both the Water System and the Wastewater System.

Coordinated With:

City Manager's Office.
Finance Department.

Attachments:

1. Resolution No. 2018-___ - Resolution Of The Calexico Financing Authority Authorizing The Issuance Of Its Water Revenue Bonds, Series 2018A In The Aggregate Principal Amount Not To Exceed \$_____, Approving An Indenture Of Trust, An Installment Purchase Agreement, A Bond Purchase Agreement And A Preliminary Official Statement And Authorizing Certain Actions In Connection Therewith.
2. Resolution No. 2018-___ Resolution Of The Calexico Financing Authority Authorizing Issuance Of Its Wastewater Revenue Bonds, Series 2018A In The Aggregate Principal Amount Not To Exceed \$_____, Approving An Indenture Of Trust, An Installment Purchase Agreement, A Bond Purchase Agreement And A Preliminary Official Statement And Authorizing Certain Actions In Connection Therewith.
3. Indenture of Trust.
4. Installment Purchase Agreement.
5. Bond Purchase Agreement.
6. Preliminary Official Statement.
7. Continuing Disclosure Agreement.

RESOLUTION NO. __

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

WHEREAS, the Calexico Financing Authority (the "Authority") is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated December 1, 1990, by and between the City of Calexico (the "City") and the Community Redevelopment Agency of the City of Calexico, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to, among other purposes, borrow money for the purpose of financing and refinancing the capital improvement needs of the City; and

WHEREAS, 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 Issuer 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, 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 its 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 Authority 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 the Projects 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, 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 BOARD OF THE AUTHORITY, AS FOLLOWS:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct.

Section 2. The Authority hereby approves the issuance of the 2018A Water Bonds in the aggregate principal amount not to exceed \$20,000,000, in accordance with the terms and conditions of the Indenture, which Indenture is hereby approved substantially in the form on file with the Secretary, with such revisions, amendments and completions as shall be approved by any one of the Chairman, the Vice Chairman in the Chairman's absence, or the Executive Director of the Authority, and any one of their respective designees (each, a "Responsible Officer"), such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The Authority hereby approves the Installment Purchase Agreement relating to the 2018A Water Bonds, substantially in the form on file with the Secretary, 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 Authority hereby approves the Bond Purchase Agreement relating to the 2018A Water Bonds, substantially in the form on file with the Secretary, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof. The Bond Purchase Agreement shall provide for an underwriter's discount of not greater than 0.065% and a true interest cost of not greater than 4.50%.

Section 5. The Authority hereby approves the Preliminary Official Statement relating to the 2018A Water Bonds, substantially in the form on file with the Secretary, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of counsel to the Authority in order to make the Preliminary Official Statement final as of their 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 is authorized to 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 the final Official Statement in substantially the form hereby approved, with such additions and changes as may be approved by counsel and the 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. The Chairman or any other Responsible Officer of the Authority, 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 escrow 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 a reserve surety for all or a portion of the 2018A Water Bonds.

Section 8. 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 Water Bonds or in connection with or related to any of the agreements referred to herein or the Financing, are hereby approved, confirmed and ratified.

Section 9. The Secretary 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 Secretary pursuant to this Resolution may be performed by a deputy Secretary with the same force and effect as if performed by the Secretary hereunder.

PASSED AND ADOPTED, by the Board of Directors of the Calexico Financing Authority on this 28th day of November 2018.

Lewis Pacheco, Chairman

ATTEST:

Secretary

time of each sale. The date of sale and the amount of 2018A Water 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 Water Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the 2018A Water 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 Water Bonds with a maximum true interest cost of 4.50%.

RESOLUTION NO. ___

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

WHEREAS, the Calexico Financing Authority (the "Authority") is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated December 1, 1990, by and between the City of Calexico (the "City") and the Community Redevelopment Agency of the City of Calexico, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to, among other purposes, borrow money for the purpose of financing the capital improvement needs of the City; and

WHEREAS, 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, it has been proposed that the Authority assist the City in providing funds to accomplish the financing of the Projects by entering into an Installment Purchase Agreement with the City (the "Installment Purchase Agreement"), and providing for the issuance of its 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 Authority 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 the financing of 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 the Projects 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

PASSED AND ADOPTED, by the Board of Directors of the Calexico Financing Authority on this 28th day of November 2018.

Lewis Pacheco, Chairman

ATTEST:

Secretary

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%.