

To: James L. App, City Manager
From: Mike Compton, Director of Administrative Services
Subject: Refunding 1993 Capital Facilities Certificates of Participation
DATE: February 17, 2004

Needs:

For the City Council and the Public Financing Authority to consider adoption of resolutions approving various documents to refund the 1993 Capital Facilities Certificates of Participation.

Facts:

1. In the 1988, the Council authorized the sale of \$3,680,000 certificates of participation (COP) for the construction of Centennial Park.
2. In 1993, the Council authorized the refunding of the outstanding principal balance of the Centennial Park COP and the issuance of \$4,700,000 new COP for the construction of city hall/library.
3. The net interest cost of the 1993 COP is 5.14%. The Centennial Park portion expires November 2008 while the city hall/library portion runs till November 2024.
4. The Council, at their July 15, 2003 meeting, authorized staff to proceed with the refunding if the projected cash savings exceeded \$425,000.

Analysis &
Conclusion:

Shortly after Council granted authority to proceed with the refunding, interest rates moved upwards and the refunding was postponed. Now that long-term financing rates have dropped slightly, it is projected that the refunding savings would exceed the \$425,000 benchmark set by Council. The City's financing team is scrambling to get the refunding done due to market pressure on long-term interest rates to move higher. There is a real possibility that in spite of our best effort, the refunding may be canceled or postponed.

Included herein are two resolutions; one for the City Council approval and the other for the Public Financing Authority approval. These resolutions ask the Council and PFA Board to approve certain refunding documents that are still in draft form but reflect the "essence" of the refunding deal. Any changes would not be substantive in nature. The Council and Board are being asked to approve these documents in substantive but not final condition in order to get the refunding completed while interest rates remain favorable.

The documents to be approved include the Site Lease, Lease Agreement, Trust Agreement and the Preliminary Official Statement. Draft copies are included herein.

Fiscal
Impact:

Originally, it was recommended that the financing would only proceed if there were estimated savings of at least \$425,000 over the refunding term. The current projection, given today's market environment, is that the City would save \$440,000, but the projection is "tenuous". Given state budget woes, the earthquake and other budget considerations, the Council may wish to lower the benchmark to \$400,000 or eliminate it all together. Most of the savings have been structured to be realized upfront rather than over the term of the refunding.

The refunding will not extend the current debt schedule for either the Centennial Park portion or the City Hall/Library portion. The Centennial Park portion will terminate November 2008 and the City Hall/Library portion will terminate November 2024.

Options:

- a.
 - (1) City Council approve Resolution No. 04-xx approving issuance and sale of Certificates of Participation and approving related documents and action; and
 - (2) Public Financing Board approve Resolution No. PFA 04-xx approving issuance and sale of Certificates of Participation and approving related documents and action; or
- b. Amend, modify, or reject the above option.

RESOLUTION NO. 04-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING ISSUANCE AND SALE OF CERTIFICATES OF PARTICIPATION
AND APPROVING RELATED DOCUMENTS AND ACTIONS

WHEREAS, the City of El Paso de Robles (the "City"), State of California, has previously caused to be issued its \$8,230,000 Certificates of Participation, dated as of November 1, 1993 (the "1993 Certificates") for the purpose of financing a new City building and refinancing certain outstanding obligations of the City; and

WHEREAS, due to favorable interest conditions in the municipal bond market the City has determined it is in the best interests of the City at this time to refinance its remaining obligations with respect to the 1993 Certificates (collectively, the "Project"); and

WHEREAS, the City proposes to finance the Project from the proceeds of a new issue of certificates of participation designated 2004 Refunding Certificates of Participation in the maximum principal amount of \$5,600,000 (the "Certificates") and the City Council wishes at this time to approve the issuance and sale of the Certificates and all documents relating thereto; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of El Paso de Robles, as follows:

SECTION 1. Approval of Financing Plan and Related Documents. The City Council approves the Project as outlined above. To that end, the City Council approves each of the following financing documents in substantially the respective forms on file with the City, together with any changes therein or additions thereto deemed advisable and approved by the Director of Administrative Services or the City Manager (each an "Authorized Officer"), whose execution thereof shall be conclusive evidence of such approval:

- (a) **Site Lease** between the City and the El Paso de Robles Public Financing Authority (the "Authority") whereby the City, as lessor, leases certain property and improvements (the "Leased Property") to the Authority, as lessee;
- (b) **Lease Agreement** between the as Authority lessor and the City as lessee, whereby the Authority leases the Leased Property back to the City the purpose of making lease payments to support the financing of the Project;
- (c) **Trust Agreement** among the City, the Authority and Union Bank of California, N.A., as trustee, whereby the trustee agrees to execute and deliver the Certificates and to apply the proceeds of the Certificates for the purpose of paying for the Project.

The Authorized Officer is authorized and directed on behalf of the City to execute, and the City Clerk is hereby authorized and directed to attest to, the final form of each of the foregoing documents. The schedule of lease payments attached to the Lease Agreement shall correspond to the payments of principal and interest represented by the Certificates, to be determined upon the sale thereof as set forth in Section 2.

SECTION 2. Official Statement. The City Council hereby approves the preliminary Official Statement describing the Certificates, in substantially the form on file with the City Clerk, together with any changes therein or additions thereto necessary or convenient to cause the preliminary Official Statement to

describe accurately matters pertaining to the Certificates and the Authorized Officer is authorized and directed on behalf of the Authority to review the final form of preliminary Official Statement and to deem the preliminary Official Statement "near final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, prior to its distribution by the original purchaser of the Certificates. The Financial Advisor (as defined below) and the original purchaser of the Certificates are hereby authorized to distribute the "near final" preliminary Official Statement in connection with the marketing of the Certificates. The Authorized Officer is hereby authorized and directed to approve any changes in or additions to the final form of such Official Statement as deemed advisable to cause the final Official Statement to describe accurately the Certificates, the Lease Agreement, the Trust Agreement and the related proceedings and actions, and to execute (or to cause to be so executed by the written designee) the final Official Statement for and in the name and on behalf of the City.

SECTION 3. Engagement of Professional Services. In connection with the Certificates, the City Council approves the engagement of the following professional services: (a) bond counsel services with the Law Firm of Robert M. Haight (b) disclosure counsel services with the firm of Nixon Peabody, LLP, and (c) financial advisory services with the firm of Northcross, Hill & Ach. The Authorized Officer is hereby authorized and directed enter into appropriate agreements with each such firm on behalf of the City. As set forth in the agreement, fees payable to each of said firms shall be entirely contingent upon the successful completion of proceedings to refinance the City's obligations with respect to 1993 Certificates.

SECTION 4. Official Actions. The Mayor, the Authorized Officers, the City Clerk, the City Attorney and all other officers of the City are each authorized and directed in the name and on behalf of the City to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. Whenever in this resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

SECTION 5. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

ADOPTED by the City Council of the City of El Paso de Robles at a regular meeting of said Council held on the 17th day of February 2004 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk

RESOLUTION NO. PFA 04-

RESOLUTION OF THE BOARD OF DIRECTORS OF THE EL PASO DE ROBLES PUBLIC FINANCING AUTHORITY APPROVING ISSUANCE AND SALE OF CERTIFICATES OF PARTICIPATION AND APPROVING RELATED DOCUMENTS AND ACTIONS

WHEREAS, the City of El Paso de Robles (the "City"), California, has previously caused to be issued its \$8,230,000 Certificates of Participation, dated as of November 1, 1993 (the "1993 Certificates") for the purpose of financing a new City building and refinancing certain outstanding obligations of the City; and

WHEREAS, due to favorable interest conditions in the municipal bond market the City has determined it is in the best interests of the City at this time to refinance its remaining obligations with respect to the 1993 Certificates (the "Project"); and

WHEREAS, the City proposes to finance the Project from the proceeds of a new issue of certificates of participation designated 2004 Refunding Certificates of Participation in the maximum principal amount of \$5,600,000 (the "Certificates") and the City Council wishes at this time to approve the issuance and sale of the Certificates and all documents relating thereto; and

WHEREAS, the El Paso de Robles Public Financing Authority (the "Authority") was established to assist the City in financings including the Project.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the El Paso de Robles Public Financing Authority, as follows:

SECTION 1. Approval of Financing Plan and Related Documents. The Board of Directors of the Authority approves the Project as outlined above. To that end, the Board of Directors approves each of the following financing documents in substantially the respective forms on file with the Authority, together with any changes therein or additions thereto deemed advisable and approved by the Chairperson, the Financial Officer or the Executive Director (each an "Authorized Officer"), whose execution thereof shall be conclusive evidence of such approval:

- (a) **Site Lease** between the City and Authority whereby the City, as lessor, leases certain property and improvements (the "Leased Property") to the Authority, as lessee;
- (b) **Lease Agreement** between the as Authority lessor and the City as lessee, whereby the Authority leases the Leased Property back to the City the purpose of making lease payments to support the financing of the Project;
- (c) **Assignment Agreement** between the Authority and Union Bank of California, N.A., as trustee (the "Trustee") where by the Authority assigns rights to receive payments under the Lease Agreement to the Trustee for the security of the Certificates; and
- (d) **Trust Agreement** among the City, the Authority and whereby the Trustee agrees to execute and deliver the Certificates and to apply the proceeds of the Certificates to pay for the Project and providing for terms and conditions of the Certificates.

The Authorized Officer is authorized and directed on behalf of the Authority to execute, and the Secretary is hereby authorized and directed to attest to, the final form of each of the foregoing documents. The schedule of lease payments attached to the Lease Agreement shall correspond to the payments of principal and interest represented by the Certificates, to be determined upon the sale thereof as set forth in Section 2.

SECTION 2. Official Actions. The Authorized Officers, the Secretary, the General Counsel and all other officers of the Authority are each authorized and directed in the name and on behalf of the Authority to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. Whenever in this resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

SECTION 3. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED by the Board of Directors of the El Paso de Robles Public Financing Authority at a regular meeting thereof this 17th day of February 2004 by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ABSTAIN: Board Members:

EL PASO DE ROBLES PUBLIC FINANCING AUTHORITY

By: Frank R. Mecham, Chairperson

ATTEST:

Dennis Fansler, Secretary

**ALL ATTACHMENTS TO THIS STAFF REPORT MAY NOT BE AVAILABLE
IN DIGITAL FORMAT FOR VIEWING ON-LINE.**

A hard-copy of the complete agenda packet, along with all staff reports, exhibits and attachments, is available for review in the City Clerk's Office.

**Packets are also available for loan from the City Library,
beginning on the Friday before each Council meeting.**