

TO: Thomas Frutche, City Manager

FROM: Jim Throop, Director of Administrative Services

SUBJECT: Authorization for the City Council and the El Paso de Robles Public Financing Authority to Approve Resolutions and Financing Documents in an Amount Not to Exceed \$2,000,000 to Refinance the Outstanding 2004 Certificates of Participation

DATE: June 7, 2016

Needs: That the City Council and Board of Directors of the El Paso de Robles Public Financing Authority adopt resolutions approving certain lease financing documents for the purpose of refinancing the outstanding 2004 Certificates of Participation (City Hall/Library Building) (the "2004 COP") in the principal amount not to exceed \$2,000,000 for the purpose of refunding.

Facts:

1. The El Paso de Robles Public Financing Authority issued \$5,460,000 in Certificates of Participation to refund the 1993 Certificates of Participation (originally issued for \$8,230,000) which were used to finance the construction of a City building and refinance certain outstanding obligations of the City.
2. In coordination with City staff, NHA Advisors, LLC serving as the City's municipal advisor, and Best Best & Krieger serving as special council and city attorney, have determined that the 2004 Certificates of Participation can now be refinanced with significant savings to the City's and its General Fund. There will be no extension of the final maturity and lower interest rates will result in cash flow savings in each of the remaining years of the financing (FY 2026).
3. The City has recently financed some of its vehicles and equipment through JP Morgan Chase bank (the "Bank") who was selected through a competitive process. The Bank has offered up terms which are very favorable to the City to refinance its 2004 COP which could save between \$15,000 and \$20,000 per year through FY 2023 and remove the annual trustee and continuing disclosure costs associated with the 2004 COP. The direct placement of the financing with the Bank will not require traditional bond costs associated with the issuance of certificates of participation including bond counsel, disclosure council, the drafting of an official statement or paying for a rating.

Analysis
and

Conclusion: City staff reviewed the information provided by NHA Advisors, serving as the municipal advisor to the City, and found it to be advantageous to the City and its financial position.

Policy

Reference: “Live Within Our Means”

Fiscal

Impact: The City has been making payments on the 2004 COP from the general fund with a portion reimbursed by the Successor Agency’s tax increment. Upon completion of the refinancing, the City’s general fund and Successor Agency tax increment (ROPS) will recognize lower annual payments (savings).

Project Finan-

cing Schedule: Following the approval of tonight’s authorizing resolutions, the City intends to work closely with the financing team and the Bank to finalize documents and close prior to June 30, 2016.

Options:

- That the City Council and the Public Financing Authority:
- a. Approve resolutions that direct the City Manager to finalize the documents with the Bank to refinance the 2004 COP and achieve lower interest rates; or
 - b. Take no action and maintain the scheduled payments for the 2004 COP.

Attachments:

Resolution #16-xxx—Council approval of the refinancing and enabling documents

Resolution #16-yyy—Public Financing Authority (PFA) approval of the refinancing and enabling documents

RESOLUTION NO. 16-XXX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES,
CALIFORNIA AUTHORIZING EXECUTION AND DELIVERY OF A SITE LEASE,
A LEASE AGREEMENT, AND OTHER RELATED DOCUMENTS IN
CONNECTION WITH THE REFINANCING OF EXISTING 2004 CERTIFICATES
OF PARTICIPATION THROUGH A LEASE FINANCING ARRANGEMENT WITH
THE EL PASO DE ROBLES PUBLIC FINANCING AUTHORITY AND CERTAIN
OTHER ACTIONS RELATING THERETO

WHEREAS, the City Council (the “City Council”) of the City of El Paso De Robles (the “City”) hereby determines that it is in the best interests of the City to refinance the City’s obligations with respect to its \$5,460,000 2004 Certificates of Participation (the “2004 Certificates”), through a lease financing arrangement (the “Lease Obligation”) with the El Paso De Robles Public Financing Authority (the “Authority”) and JP Morgan Chase Bank, N.A. (the “Purchaser”); and

WHEREAS, the City, in order to accomplish the refinancing of the 2004 Certificates, wishes to enter into a Site Lease and a Lease Agreement, each between the City and the Authority, hereinafter more particularly described, and that certain other action be taken and authorized, and that the Lease Payments thereunder will be assigned to the Purchaser under an Assignment Agreement; and

WHEREAS, in order to cause the 2004 Certificates to be paid, the City must set aside funds received from the Corporation in an escrow fund established pursuant to an Escrow Agreement by and between the City and MUFG Union Bank, N.A. (the “Escrow Agreement”); and

WHEREAS, this City Council has determined that the financing terms presented to the City by the Purchaser are acceptable and that it is in the best interest of the City that the financing terms presented by the Purchaser be accepted; and

WHEREAS, the Lease Obligations will be tax-exempt obligations in a principal amount of not to exceed \$2,000,000; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Approval of Financing. The City hereby approves the refinancing of the 2004 Certificates subject to the terms and conditions of this Resolution.

Section 2. Approval of Financing Documents. The City Council hereby approves each of the following documents in substantially the respective forms on file with the City Clerk, together with such additions thereto and changes therein as Special Counsel shall deem necessary, desirable or appropriate, the execution of which by the Mayor, City Manager, or Finance Director shall be conclusive evidence of the approval of any such additions and changes:

- (1) the Site Lease;
- (2) the Lease Agreement;
- (3) the Release of Lien and Termination Agreement, by and among the City, the El Paso De Robles Public Financing Authority and MUFG Union Bank, N.A. relating to the 2004 Certificates;

- (4) the Assignment Agreements;
- (5) the Escrow Agreement; and
- (6) the Letter Agreement for Purchase, by and between the City and the JP Morgan Chase Bank, N.A.

The Mayor, the City Manager, or the City Finance Director are hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest and affix the seal of the City to the final form of each of the foregoing documents and agreements for and in the name and on behalf of the City. The City Council hereby authorizes the delivery and performance of each of the foregoing documents and agreements.

Section 3. Financing Terms. The financing terms presented to the City by the Purchaser are approved as follows: maximum principal amount of financing is \$2,000,000; maximum interest rate with respect to the financing is 2.25% and maximum term for the financing is 8 years.

Section 4. Requisitions. The City Manager and the City Finance Director, or any one of them, are hereby authorized and directed to execute one or more requisitions authorizing the payment of costs of issuing the Lease Obligations from the proceeds of payment by the Authority under the Site Lease.

Section 5. Other Acts. The City Manager, the City Finance Director and the other officers and staff members of the City are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, which in consultation with the staff, the City's Municipal Advisor (NHA Advisors, LLC) and Special Counsel (Best, Best & Krieger), they may deem necessary or advisable in order to consummate the refinancing of the 2004 Certificates, or otherwise to effectuate the purposes of this Resolution, and any such actions previously taken by such officers are hereby ratified and confirmed.

Section 6. Effective Date. This Resolution shall take effect upon adoption.

APPROVED this 7th day of June, 2016 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST:

Steven W. Martin, Mayor

Kristen L. Buxkemper, Deputy City Clerk

RESOLUTION NO. 16-XXX

RESOLUTION OF THE BOARD OF DIRECTORS OF THE EL PASO DE ROBLES
PUBLIC FINANCING AUTHORITY, AUTHORIZING EXECUTION AND
DELIVERY OF A SITE LEASE, A LEASE AGREEMENT, AND OTHER RELATED
DOCUMENTS IN CONNECTION WITH THE REFINANCING OF CITY HALL
THROUGH A LEASE FINANCING ARRANGEMENT WITH THE CITY AND JP
MORGAN CHASE BANK, N.A. AND CERTAIN OTHER ACTIONS RELATING
THERE TO

WHEREAS, the Board of Directors (the "Board") of the El Paso De Robles Public Financing Authority (the "Authority") hereby determines that it is in the best interests of the City to refinance the City's obligations with respect to its \$5,460,000 2004 Certificates of Participation (the "2004 Certificates"), through a lease financing arrangement (the "Lease Obligation") with the El Paso de Robles Public Financing Authority (the "Authority") and JP Morgan Chase Bank, N.A. (the "Purchaser"); and

WHEREAS, the Authority, in order to accomplish the refinancing of the 2004 Certificates, wishes to enter into a Site Lease and a Lease Agreement, each between the City and the Authority, hereinafter more particularly described, and that certain other action be taken and authorized and that the Lease Payments thereunder will be assigned to the Purchaser under an Assignment Agreement; and

WHEREAS, in order to cause the 2004 Certificates to be paid, the City must set aside funds received from the Corporation in an escrow fund established pursuant to an Escrow Agreement by and between the City and MUFG Union Bank, N.A. (the "Escrow Agreement"); and

WHEREAS, this Board has determined that the financing terms presented to the Authority by the Purchaser are acceptable and that it is in the best interest of the Authority that the financing terms presented by the Purchaser be accepted; and

WHEREAS, the Lease Obligations will be tax-exempt obligations in a principal amount of not to exceed \$2,000,000; and

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE EL PASO DE ROBLES PUBLIC FINANCING AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Approval of Financing. The Board hereby approves the refinancing of the 2004 Certificates subject to the terms and conditions of this Resolution.

Section 2. Approval of Financing Documents. The Board hereby approves each of the following documents in substantially the respective forms on file with the Secretary, together with such additions thereto and changes therein as Special Counsel shall deem necessary, desirable or appropriate, the execution of which by the Mayor, City Manager, or Finance Director shall be conclusive evidence of the approval of any such additions and changes:

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- (2) the Lease Agreement;
- (3) the Release of Lien and Termination Agreement, by and among the City, the El Paso De Robles Public Financing Authority and MUFG Union Bank, N.A. relating to the 2004 Certificates;

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The Mayor, the City Manager, or the City Finance Director are hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest and affix the seal of the City to the final form of each of the foregoing documents and agreements for and in the name and on behalf of the City. The City Council hereby authorizes the delivery and performance of each of the foregoing documents and agreements.

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Section 5. Other Acts. The City Manager, the City Finance Director and the other officers and staff members of the City are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, which in consultation with the staff and Special Counsel they may deem necessary or advisable in order to consummate the refinancing of the 2004 Certificates, or otherwise to effectuate the purposes of this Resolution, and any such actions previously taken by such officers are hereby ratified and confirmed.

Section 6. Effective Date. This Resolution shall take effect upon adoption.

APPROVED this 7th day of June, 2016 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

Steven W. Martin, Board President

Thomas Frutchey, Secretary