



## Legislation Text

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**File #:** 20-0071, **Version:** 1

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**TO:**

Honorable Mayor and Members of the City Council

**THROUGH:**

Bruce Moe, City Manager

**FROM:**

Steve S. Charelian, Finance Director  
Henry Mitzner, Controller

**SUBJECT:**

Consider Adopting Resolution Approving Financing Documents and Authorizing the Execution and Delivery of Limited Obligation Improvement Bonds for Underground Utility Assessment District (UUAD) 19-4 and Approval to Sell Bonds for UUAD 19-4 (Finance Director Charelian).

**a) ADOPT RESOLUTION NO. 20-0016**

**b) APPROVE SALE OF BONDS FOR UUAD 19-4**

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**RECOMMENDATION:**

Staff recommends that the City Council: a) adopt Resolution No. 20-0016 approving the issuance of the Bonds and authorizing the execution and delivery of the Fiscal Agent Agreement, Bond Purchase Agreement, Preliminary Official Statement, and Continuing Disclosure Certificate for Underground Utility Assessment District (UUAD) 19-4; and b) approve the sale of bonds for a principal amount not to exceed \$7,255,000.

**FISCAL IMPLICATIONS:**

The following not to exceed total for UUAD 19-4 resulted from the outcome of the Proposition 218 balloting procedures:

<b>Category</b>	<b>District 19-4</b>
Number of Assessable Parcels	167
Design Costs	\$ 189,726.00
Construction Costs	\$5,279,613.61
Project Contingency Costs	\$ 527,961.36
Incidental Expenses	\$ 628,271.25
<u>Bond Costs</u>	<u>\$ 629,427.78</u>
<b>Total Undergrounding Costs</b>	<b>\$7,254,999.80</b>

The City will be reimbursed for total costs incurred, including Assessment Engineering fees, utility design fees, and past and future staff time up to the amount of \$507,480. These totals were calculated by the Assessment Engineer and the City's Financial Advisor.

## **BACKGROUND:**

At the regular meeting on January 7, 2020, the City Council conducted a public hearing and heard testimony either in support of or opposition to the UUAD 19-4. After tabulating the assessment ballots, the District was authorized and formed by approval of Resolution No. 20-0003. Property owners were given a minimum of 30 days to pay their assessment during a cash collection period. Owners had a choice of paying for the improvements in full, or participating in a bond issue wherein the bonded assessments are paid off over a 20 year period through the annual consolidated property tax bill. The fully-burdened assessment ranges from \$14,650.99 to \$128,322.64, with an average of \$43,443.11, for property owners in the District.

The cash collection period ended February 14, 2020. The total amount of cash collected will reduce the amount of total undergrounding costs going to bond.

## **DISCUSSION:**

With the cash collection period closed, the City will now initiate steps to market bonds, such that bond proceeds and prepayment funds will finance total undergrounding costs. The bonds are secured by liens on the properties associated with the unpaid assessments. Annual debt service assessments will be included in the regular property tax bill over the life of the bonds to pay for the debt service.

Determination of the bonding amount is based on the final amount of unpaid assessments and market conditions at the time of sale. In order to proceed with the bonding of UUAD 19-4 unpaid assessments, the City Council must approve Resolution No. 20-0016, approving the issuance of bonds and related documents, including the Preliminary Official Statement and necessary agreements. The Resolution contains a descriptive narrative of the Preliminary Official Statement and agreements. The following is a summary of the attached Resolution and other required documents:

### ***Resolution No. 20-0016***

This Resolution approves the issuance of the Bonds and the execution and delivery of the below listed documents for District 19-4.

### ***Fiscal Agent Agreement***

Sets forth the provisions governing the bonds and the payments on the bonds for District 19-4. This Agreement establishes the City's relationship with U.S. Bank National Association (U.S. Bank) as trustee of the funds. U.S. Bank will be responsible for receiving proceeds of the refunding bonds and distributing funds, handling on-going principal and interest payments, as well as other expenses associated with the bonds.

### ***Bond Purchase Agreement***

Sets forth the provisions governing the sale of the bonds from the City to the Underwriter for Districts 19-4. This Agreement is between the Underwriter (BofA Securities, Inc.) and the City, whereby the Underwriter agrees to purchase the bonds from the City for marketing purposes.

### ***Preliminary Official Statement***

Used by the Underwriter to market the bonds and includes demographic, financial and other

information regarding the bonds, the Assessment District, and the City for District 19-4. Under federal securities laws, this document must contain all relevant information relating to the bonds that would be material to investors. For approval purposes, the statements are preliminary, and subject to minor modifications.

***Continuing Disclosure Certificate***

Required by the United States Securities Exchange Commission (SEC) Rule 15c2-12. These documents, located in Appendix F of each Preliminary Official Statement, obligate the City to file certain information annually and to provide notices of certain events that, if they were to occur, would require disclosure during the life of the debt for District 19-4.

After these required documents are approved by the City Council, several more steps are required to fully execute the bond issuance. The Preliminary Official Statement will be posted around February 19, 2020, and marketing of the bonds will begin. Pricing of the bonds will then occur and the final Official Statement will be posted on February 26, 2020. The City expects the sale of the bonds to close by March 11, 2020.

**PUBLIC OUTREACH:**

After analysis, staff determined that public outreach was not required for the financing of UUAD 19-4, which was previously approved by the City Council.

**LEGAL REVIEW:**

Bond Counsel has reviewed this staff report and all the attachments and has approved as to legal form.

**ATTACHMENTS:**

1. Resolution No. 20-0016
2. Fiscal Agent Agreement
3. Bond Purchase Agreement
4. Preliminary Official Statement