

Public Financing Authority Meeting Agenda



MAY 23, 2017

6:00 p.m.

City of Turlock Yosemite Room

156 S. Broadway, Turlock, California



**and via teleconference:
Hampton Inn & Suites Hemet
3700 West Florida Avenue
Hemet, CA 92545
Telephone No. (951) 929-7373

Chairman
Gary Soiseth

Agency Members
Matthew Jacob
William DeHart, Jr.

Amy Bublak
Gil Esquer

City Manager
Gary R. Hampton
City Clerk
Jennifer Land
City Attorney
Phaedra A. Norton

NOTICE REGARDING NON-ENGLISH SPEAKERS: The Turlock Public Financing Authority meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

EQUAL ACCESS POLICY: If you have a disability which affects your access to public facilities or services, please contact the City Clerk's Office at (209) 668-5540. The City is committed to taking all reasonable measures to provide access to its facilities and services. Please allow sufficient time for the City to process and respond to your request.

NOTICE: Pursuant to California Government Code Section 54954.3, any member of the public may directly address the Public Financing Authority on any item appearing on the agenda, including Consent Calendar and Public Hearing items, before or during the Public Financing Authority's consideration of the item.

AGENDA PACKETS: Prior to the Public Financing Authority meeting, a complete Agenda Packet is available for review on the City's website at www.cityofturlock.org and in the City Clerk's Office at 156 S. Broadway, Suite 230, Turlock, during normal business hours. Materials related to an item on this Agenda submitted to the Council after distribution of the Agenda Packet are also available for public inspection in the City Clerk's Office. Such documents may be available on the City's website subject to staff's ability to post the documents before the meeting.

1. CALL TO ORDER

2. PUBLIC PARTICIPATION:

This is the time set aside for members of the public to directly address the Public Financing Authority on any item of interest to the public, before or during the Agency's consideration of the item, that is within the subject matter jurisdiction of the Public Financing Authority. You will be allowed five (5) minutes for your comments. If you wish to speak regarding an item on the agenda, you may be asked to defer your remarks until the Agency addresses the matter.

No action or discussion may be undertaken on any item not appearing on the posted agenda, except that Agency may refer the matter to staff or request it be placed on a future agenda.

3. DECLARATION OF CONFLICTS OF INTEREST AND DISQUALIFICATIONS

4. CONSENT CALENDAR:

Information concerning the consent items listed hereinbelow has been forwarded to each Agency Member prior to this meeting for study. Unless the Chairman, an Agency Member or member of the audience has questions concerning the Consent Calendar, the items are approved at one time by the Agency. The action taken by the Agency in approving the consent items is set forth in the explanation of the individual items.

- A. Motion: Accepting Minutes of Regular Meeting of the Public Financing Authority of October 11, 2016

5. PUBLIC HEARINGS: None

6. SCHEDULED MATTERS:

- A. Request to authorize the issuance and sale of Turlock Public Financing Authority Water Revenue Bonds, Series 2017, in an aggregate principal amount not to exceed: (A) in the event that no debt service reserve fund is funded for the Bonds, \$27,000,000; or (b) in the event that a debt service reserve fund is funded for the Bonds, \$29,000,000; approve the form of and authorize the execution and delivery of an Indenture, a Master Installment Purchase Agreement, a 2017 Supplement thereto, a Bond Purchase Agreement and an Official Statement relating to an installment purchase financing; and approve certain actions in connection therewith. (*Lorenzi*)

Recommended Action:

Resolution: Authorizing the issuance and sale of Turlock Public Financing Authority Water Revenue Bonds, Series 2017, in an aggregate principal amount not to exceed: (A) in the event that no debt service reserve fund is funded for the Bonds, \$27,000,000; or (b) in the event that a debt service reserve fund is funded for the Bonds, \$29,000,000; Approving the form of and Authorizing the execution and delivery of an Indenture, a Master Installment Purchase Agreement, a 2017 Supplement thereto, a Bond Purchase Agreement and an Official Statement relating to an installment purchase financing; and approving certain actions in connection therewith

7. ADJOURNMENT



OCTOBER 11, 2016
6:00 p.m.
City of Turlock Yosemite Room
156 S. Broadway, Turlock, California

MINUTES
Regular Meeting
Public Financing Authority

- 1. **CALL TO ORDER** – Chairman Gary Soiseth called the meeting to order at 6:59 p.m.
 PRESENT: Agency Members Amy Bublak, Bill DeHart, Matthew Jacob, Steven Nascimento, and Chairman Gary Soiseth
 ABSENT: None

2. **PUBLIC PARTICIPATION:** None

3. **DECLARATION OF CONFLICT OF INTEREST AND DISQUALIFICATIONS:** None

4. **CONSENT CALENDAR**

Action: Motion by Agency Member DeHart, seconded by Agency Member Jacob, to adopt the consent calendar. Motion carried 5/0, by the following vote:

Agency Member DeHart	Agency Member Nascimento	Agency Member Bublak	Agency Member Jacob	Chairman Soiseth
Yes	Yes	Yes	Yes	Yes

A. Motion: Accepting Minutes of Regular Meeting of the Public Financing Authority of September 24, 2013

5. **PUBLIC HEARINGS:** None

6. **SCHEDULED MATTERS:**

Chairman Soiseth noted Successor Agency and Public Financing Authority Scheduled Matters Items 6A would be presented concurrently.

A. Senior Accountant Marie Lorenzi presented the staff report on the request to authorize the Execution and Delivery of an Escrow Agreement in Connection with the Refunding of Bonds Issued by the Authority in 1999, 2006 and 2011 and Take Related Actions.

Council and staff discussion included clarification regarding insurance.

Chairman Soiseth opened public comment.

Milt Trieweiler requested clarification on the items.

Chairman Soiseth closed public comment.



DRAFT

Action: **Resolution No. PFA 2016-001** Authorizing the Execution and Delivery of an Escrow Agreement in Connection with the Refunding of Bonds Issued by the Authority in 1999, 2006 and 2011 and Taking Related Actions as introduced by Agency Member Bublak, seconded by Agency Member Nascimento, and carried 5/0 by the following vote:

Agency Member DeHart	Agency Member Nascimento	Agency Member Bublak	Agency Member Jacob	Chairman Soiseth
Yes	Yes	Yes	Yes	Yes

7. ADJOURNMENT

Chairman Soiseth adjourned the meeting at 7:12 p.m.

RESPECTFULLY SUBMITTED

Jennifer Land
Deputy City Clerk

6A

Turlock Public Financing Authority
Staff Report
May 23, 2017



From: Marie Lorenzi, Senior Accountant
Prepared by: Marie Lorenzi, Senior Accountant
Agendized by: Gary R. Hampton, Executive Director

1. ACTION RECOMMENDED:

Resolution: Authorizing the issuance and sale of Turlock Public Financing Authority Water Revenue Bonds, Series 2017, in an aggregate principal amount not to exceed: (A) in the event that no debt service reserve fund is funded for the Bonds, \$27,000,000; or (b) in the event that a debt service reserve fund is funded for the Bonds, \$29,000,000; Approving the form of and Authorizing the execution and delivery of an Indenture, a Master Installment Purchase Agreement, a 2017 Supplement thereto, a Bond Purchase Agreement and an Official Statement relating to an installment purchase financing; and approving certain actions in connection therewith

2. SYNOPSIS:

Authorizing the issuance and sale of \$27 - \$29 million in Turlock Public Financing Authority Water Revenue Bonds, Series 2017; approving the form of an Indenture, Master Installment Purchase Agreement and 2017 Supplement thereto, Bond Purchase Agreement, and Official Statement associated with the issuance of bonds to refund the currently outstanding 2008 Water Revenue Bonds; and authorizing the execution and delivery of these documents.

3. DISCUSSION OF ISSUE:

As has occurred with other debt issuances, the Turlock Public Financing Authority is the legal entity through which the City issues debt. In 2008, the City, through the Turlock Public Financing Authority issued \$32,365,000 in Revenue Bonds secured by revenues from the City's Water Enterprise Fund. The proceeds of this bond issuance provided financing for various capital improvement projects within the City of Turlock's potable water operations and infrastructure.

The 2008 bonds, which carry interest rate coupons of between 3.5% and 5% and will mature in May 2038, have maximum annual debt service of approximately \$2.03 million. The current outstanding principal after the May 2017 debt service payment will be \$26,450,000. The bonds are eligible to be called on or after May 1, 2018 at par. The proceeds of the refunding will be placed in an escrow account which will be used to pay semi-annual debt service until the 2008 Bonds can be retired in May 2018.

Current market conditions are such that the 2008 Bonds can be refunded (refinanced) to a lower interest rate. This refunding will decrease the semi-annual debt service (interest and principal) requirements for the Water fund.

OK for Ageman
RM G.R.H.

At this time the Authority's Board is being asked to approve the following documents related to the Turlock Public Financing Authority Water Revenue Bonds, Series 2017 proposed to be issued on behalf of the City of Turlock:

- ✓ Indenture between the Turlock Public Financing Authority and U.S. Bank National Association (City's third party trustee);
- ✓ Master Installment Purchase Agreement between the City of Turlock and the Turlock Public Financing Authority;
- ✓ 2017 Supplement to the Master Installment Purchase Agreement between the City of Turlock and the Turlock Public Financing Authority;
- ✓ Bond Purchase Agreement among Stifel Nicholas and Company (underwriter), the Turlock Public Financing Authority and the City of Turlock; and
- ✓ Official Statement

The Indenture lays out various features of the bonds including (but not limited to) the terms, including interest rate, dates for interest and/or principal payments, and whether the bonds are callable; the conditions upon which additional parity bonds can be issued; the accounts to be established by the third-party trustee from which periodic debt service will be paid; how funds on hand with the third-party trustee may be invested; the revenue pledged for the repayment of the bonds; and various other subjects which aid in the orderly transaction of business related to the outstanding bonds.

The Master Installment Purchase Agreement and the Supplement thereto (MPIA) are agreements between the City of Turlock and the Turlock Public Financing Authority which detail the terms and conditions upon which the City covenants to use the revenue generated by the Water Fund to pay the maintenance and operations expenses associated with the City's Water operations; pay for capital improvements related to the Water operations; and make the periodic interest and principal payments due on the outstanding bonds. Section 4 of the Resolution states a maximum par amount for the bonds with or without a reserve. Currently Staff is proposing to issue the bonds without a debt service reserve. The option noted in Section 4 is to provide the latitude to include a debt service reserve if the inclusion makes the most economic sense at the time of issuance.

The Bond Purchase Agreement (BPA) is between the City of Turlock, the Turlock Public Financing Authority, and Stifel Nicholas and Company acting as underwriter for the bond issuance. Under the BPA, the underwriter agrees to buy the bonds at specified prices and interest rates, subject to the receipt of certain opinions, certificates and other conditions. The Bond Purchase Agreement will be presented for execution to the City and the Authority as soon as the underwriter has completed the offering to the investors and the pricing of the 2017 Bonds. The attached Resolution specifies that the Bond Purchase Agreement will only be executed if the true interest cost of the 2017 Bonds does not exceed four (4%) percent and the underwriter's discount does not exceed one-half of one (0.50%) percent of the principal amount of the 2017 Bonds.

Preliminary Official Statement/Official Statement – A Preliminary Official Statement has been prepared to provide material information to investors regarding the terms and the security of the 2017 Bonds. The Preliminary Official Statement contains descriptions of the legal and financial aspects of the 2017 Bonds, as well as a summary of various related legal documents. Certain information which will be determined upon the pricing of the

2017 Bonds (such as the final principal amount, the interest rates and the redemption dates) are either omitted or noted as "preliminary, subject to change" in the Preliminary Official Statement. The Underwriter will use the Preliminary Official Statement to market the 2017 Bonds to the potential investors. Once the 2017 Bonds have been priced, the final pricing information will be inserted into the Preliminary Official Statement, thereby converting it to the Official Statement. The Underwriter will then distribute the Official Statement to the individuals and institutions that placed orders to buy the 2017 Bonds from the Underwriter.

4. BASIS FOR RECOMMENDATION:

The City's bond and disclosure counsel have reviewed and approved all the pertinent documents before the Authority and the City for approval. It should be noted that these documents are in what is commonly referred to as "substantially complete form". This means that there are still blanks to fill in which cannot be completed until the bonds are sold. If any changes effect the financial parameters outlined in the Resolution before the Authority, these changes will be brought back before the Authority Board and the City Council for further discussion and direction.

As previously noted, the Authority is the legal entity that issues bonds on behalf of the City. The Authority uses the proceeds of the bond issuance to finance projects on behalf of the City, and the City purchases such projects from the Authority. The City makes installment payments to the Authority for the purchase of such projects which are used to make principal and interest payments to the bond holders. Since this issuance has been approved to be a negotiated sale, the underwriter purchases the bonds from the Authority and then either holds them in their portfolio or sells them to other investors. All these dynamics are the reasons for the documents currently before the Authority Board for approval.

Staff is recommending approval of the attached Resolution by the Authority Board so Staff can proceed with the refunding transaction. Board approval is required for the Chair and/or Executive Director to execute any agreements on behalf of the Authority. As noted when the concept was first presented to the City in March, the interest rate environment is favorable for a refunding and Staff currently projects average annual savings in debt service expense for the Water Fund in excess of \$250,000.

5. FISCAL IMPACT / BUDGET AMENDMENT:

Based on current market conditions, the following are the projected financial specifics related to the bond sale:

Total Bond Amount	\$ 22,645,000
True Interest Cost	3.520%
Average Annual Debt Service	\$ 1,735,328
Maximum Annual Debt Service	\$ 1,741,483

Refunding bonds will mature in March 2038 (current bonds mature in May 2038)

The Authority is being asked to approve a bond principal amount (par) not to exceed \$27 million if no debt service reserve is funded and \$29 million if a debt service reserve is funded with a true interest cost that does not exceed 4%. The purpose for setting the maximum par and interest rate higher than the currently projected amount needed is so

that in the event market conditions change between now and the time of issuance, which is currently planned for early - mid June 2017, this item does not need to be brought back to the Authority for further consideration and direction in order to proceed with the issuance.

7. EXECUTIVE DIRECTOR'S COMMENTS

Recommend Approval.

8. ENVIRONMENTAL DETERMINATION:

N/A

9. ALTERNATIVES:

- A. The Board may choose not to proceed with the proposed refunding. Staff does not recommend this alternative as there are potentially significant savings to be realized in refunding the 2008 Water Revenue Bonds.

**BEFORE THE BOARD OF DIRECTORS OF THE
TURLOCK PUBLIC FINANCING AUTHORITY**

**IN THE MATTER OF AUTHORIZING THE
ISSUANCE AND SALE OF TURLOCK PUBLIC
FINANCING AUTHORITY WATER REVENUE
BONDS, SERIES 2017, IN AN AGGREGATE
PRINCIPAL AMOUNT NOT TO EXCEED: (A) IN
THE EVENT THAT NO DEBT SERVICE
RESERVE FUND IS FUNDED FOR THE BONDS,
\$27,000,000; OR (B) IN THE EVENT THAT A
DEBT SERVICE RESERVE FUND IS FUNDED
FOR THE BONDS, \$29,000,000; APPROVING
THE FORM OF AND AUTHORIZING THE
EXECUTION AND DELIVERY OF AN INDENTURE,
A MASTER INSTALLMENT PURCHASE
AGREEMENT, A 2017 SUPPLEMENT THERETO,
A BOND PURCHASE AGREEMENT AND AN
OFFICIAL STATEMENT RELATING TO AN
INSTALLMENT PURCHASE FINANCING; AND
APPROVING CERTAIN ACTIONS IN CONNECTION
THEREWITH**

RESOLUTION NO. PFA-2017-

WHEREAS, the City of Turlock (the "City") and the former Turlock Redevelopment Agency entered into a Joint Exercise of Powers Agreement establishing the Turlock Public Financing Authority (the "Authority"), a California joint exercise of powers entity duly organized to provide financial assistance to the City; and

WHEREAS, the City has previously acquired, constructed, installed and improved its water system (the "Project"); and

WHEREAS, in order to effect such acquisition, construction, installation and improvement, the Authority has previously sold components of the Project to the City pursuant to a Master Installment Purchase Agreement, dated as of May 1, 2008 (as supplemented and amended, the "Prior Installment Purchase Agreement"); and

WHEREAS, to provide funds for the purchase of various components of the Project, in order that such components of the Project could be sold to the City pursuant to the Prior Installment Purchase Agreement, the Authority previously issued its Water Revenue Bonds, Series 2008 (Payable Solely from Installment Payments Secured by Water System Net Revenues) (the "Prior Bonds"); and

WHEREAS, the Authority and the City now desire to refinance the outstanding payments for the purchase of the components of the Project previously sold by the Authority to the City pursuant to the Prior Installment Purchase Agreement by refunding the outstanding Prior Bonds; and

WHEREAS, in order to effectuate such refunding, the City proposes to purchase such components of the Project from the Authority pursuant to a new Master Installment Purchase

Agreement (the "Installment Purchase Agreement"), as supplemented by a 2017 Supplement thereto (the "2017 Supplement") and as subsequently amended and supplemented from time to time; and

WHEREAS, under the Installment Purchase Agreement and the 2017 Supplement, the City will be obligated to make installment payments to the Authority for the purchase of such components of the Project; and

WHEREAS, to provide funds to refinance the outstanding payments under the Prior Installment Purchase Agreement and refund the outstanding Prior Bonds, the Authority desires to issue its Water Revenue Bonds, Series 2017 (the "Bonds"); and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the repayment thereof, it is proposed that the Authority and U.S. Bank National Association (the "Trustee") enter into an Indenture (the "Indenture").

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Turlock Public Financing Authority as follows:

Section 1. The issuance of the Bonds in the aggregate principal amount of not to exceed: (a) in the event that no debt service reserve fund is funded for the Bonds, \$27,000,000; or (b) in the event that a debt service reserve fund is funded for the Bonds, \$29,000,000, on the terms and conditions set forth in and subject to the limitations specified in the Indenture, is hereby authorized and approved. The Bonds are authorized to be executed for and in the name and on behalf of the Authority by the manual or facsimile signature of the Chair or Executive Director of the Authority and attested to by the manual or facsimile signature of the Secretary of the Authority. The Bonds, when so executed and attested, are authorized to be delivered to the Trustee for authentication.

Section 2. The form of Indenture, a copy of which is on file in the office of the Secretary of the Authority or his or her designee (the "Secretary") and submitted to this meeting, is hereby approved. The Chair or the Executive Director and the designees of any of them (each, an "Authorized Officer"), each acting alone, are hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute the Indenture, and the Secretary is authorized to attest thereto, with such additions and changes therein (including, but not limited to, any additions or changes necessary to provide for the funding of a debt service reserve fund for the Bonds) as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The form of Master Installment Purchase Agreement, a copy of which is on file in the office of the Secretary and submitted to this meeting, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute the Master Installment Purchase Agreement, and the Secretary is authorized to attest thereto, with such additions and changes therein (including, but not limited to, any additions or changes necessary to provide for the funding of a debt service reserve fund for the Bonds) as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The form of the 2017 Supplement, a copy of which is on file in the office of the Secretary and submitted to this meeting, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the 2017 Supplement, and the Secretary is authorized to attest thereto, with such additions and changes therein (including, but not limited to, any additions or changes necessary to provide for the funding of a debt service reserve fund for the Bonds) as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the Authority, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the installment payments to be contained in the 2017 Supplement shall be determined or approved by an Authorized Officer upon the sale of the Bonds, but the principal portion thereof shall not exceed: (a) in the event that no debt service reserve fund is funded for the Bonds, \$27,000,000 in aggregate principal amount; or (b) in the event that a debt service reserve fund is funded for the Bonds, \$29,000,000 in aggregate principal amount and, in either case, shall be for a term ending not later than March 15, 2038.

Section 5. The form of Bond Purchase Agreement relating to the sale of the Bonds (the "Bond Purchase Agreement"), among the underwriter named therein (the "Underwriter"), the Authority and the City, a copy of which is on file in the office of the Secretary and submitted to this meeting, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Bond Purchase Agreement, and the Secretary is authorized to attest thereto, with such additions and changes therein (including, but not limited to, any additions or changes necessary to provide for the funding of a debt service reserve fund for the Bonds) as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the Authority, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the Bonds shall bear interest at a true interest cost not to exceed 4.00% per annum and the Bond Purchase Agreement shall provide for an underwriter's discount of not more than 0.50% of the principal amount of the Bonds.

Section 6. The form of the preliminary official statement relating to the Bonds (the "Preliminary Official Statement"), a copy of which is on file in the office of the Secretary and submitted to this meeting, is hereby approved, with such additions and changes (including, but not limited to, any additions or changes necessary to provide for the funding of a debt service reserve fund for the Bonds) as may be approved, with the advice of counsel, by any Authorized Officer. The Authorized Officers, each acting alone, are hereby authorized on behalf of the Authority to certify to potential purchasers of the Bonds that the Preliminary Official Statement is deemed "final" (as it relates to the Authority) for the purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule") (except for the omission of certain final pricing, rating and related information as permitted by the Rule). The Authorized Officers, each acting alone, are hereby authorized and directed to execute and deliver to the Authority and the Underwriter a final Official Statement (the "Official Statement") in substantially the form of the Preliminary Official Statement, with such additions and changes (including, but not limited to, any additions or changes necessary to provide for the funding of a reserve fund for the Bonds) as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the Authority, such approval to be conclusively evidenced by the execution of said Official Statement. The printing, delivery and distribution of the Preliminary Official Statement and the Official Statement is hereby approved, and the Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement and the Official Statement to persons who may be interested in the purchase of the Bonds and is directed to deliver copies of the Official Statement to all purchasers of the Bonds.

Section 7. All actions heretofore taken by any officers, employees or agents of the Authority with respect to the issuance, delivery or sale of the Bonds, or in connection with or related to any of the documents referenced herein or the refinancing of the portions of the Project financed with the proceeds of the Prior Bonds, are hereby approved, confirmed and ratified; and the Authorized Officers are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents (including but not limited to a Tax Certificate and Agreement and any escrow agreements), which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds, the disbursement of proceeds thereof in accordance with this Resolution and the refunding of the outstanding Prior Bonds.

Section 8. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Turlock Public Financing Authority this 23rd day of May, 2017 by the following vote:

AYES:
NOES:
NOT PARTICIPATING:
ABSENT:

ATTEST:

Jennifer Land, Secretary,
Turlock Public Financing Authority,
County of Stanislaus, State of California

Public Financing Authority Scheduled Matters

Item 6A

**The back-up
documentation for this
item can be found
within the regular
City Council Meeting
Agenda Packet
Scheduled Matters
Item 8K.**