

**SPECIAL JOINT MEETING
CALIFORNIA CITY CITY FINANCING AUTHORITY
& CALIFORNIA CITY CITY COUNCIL
Tuesday, May 16, 2006, 5:45 P.M.
Council Chambers, 21000 Hacienda Blvd.
MINUTES**

OPENING CEREMONIES:

The meeting was called to order at 6:10 P.M. by Chairman Lessenevitch. Following the pledge of allegiance, the City Clerk called the roll:

PRESENT:

Council members Edmiston, Lessenevitch, Schafer, Dempsey, Adams
Financing Authority: Dempsey, Edmiston, Schafer, Adams, Lessenevitch

AGENDA:

Motion to adopt agenda for Joint Meeting by Director Dempsey, second by Director Schafer; carried.

NEW BUSINESS:

NB 1. Approve certain documents related to the USDA Water System loan
- Finance Director/Assistant City Manager

Finance Director Terry Hicks explained that in order to close on the USDA loan, for the water main project, the finance authority is being asked to approve the documents they have before them. In order to structure this deal as a private placement with the US Dept of Agriculture it will take the form of a lease transaction. Staff is asking that the Authority approve and adopt the resolutions, as well as the City Council.

Director Schafer asked for explanation on what exactly we are leasing and how the process works. Mr. Hicks explained the City in essence is leasing back the water system from the Finance Authority. This type of lease arrangement does not meet the definition of debt under the state constitution consequently we can enter into the transaction without a vote of the people.

Director Edmiston asked under the rate covenant, page 17, it is set at 125%. Mr. Hicks replied that after discussion with attorney the correct percentage is 110. It was further explained that revenues to equal should also read 110% instead of 150%. USDA requires that the 10% surplus be reserved on the books for capital outlay expenditures on the water system. The financial structure of the water fund will have to be looked at annually

to make sure that we are budgeting to meet this rate covenant. Water standby charges negotiated with USDA based on looking at the lots that benefit from the project, we agreed upon a 67% figure.

This process will repeat itself if and when we go for the next 5million loan.

Hal Fairbanks had questions pertaining to the 10% surplus, which the attorney addressed.

Motion by Vice Chairman Adams, second by Director Edmiston, to adopt
“A RESOLUTION OF THE CALIFORNIA CITY FINANCING AUTHORITY
APPROVING THE PREPARATION OF THE CALIFORNIA CITY
FINANCING AUTHORITY WATER SYSTEM LOAN IN
APPROXIMATELY THE AMOUNT OF FIVE MILLION DOLLARS
(\$5,000,000.) AND APPROVING CERTAIN DOCUMENTS AND
AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH”

Roll call vote as follows:

AYES: Dempsey, Edmiston, Schafer, Adams, Lessenevitch

NAYS: None

ABSTAIN: None

ABSENT: None

Motion by Councilman Lessenevitch, second by Councilman Schafer, to
adopt “A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CALIFORNIA CITY APPROVING THE PREPARATION OF THE
CALIFORNIA CITY FINANCING AUTHORITY WATER SYSTEM LOAN
IN APPROXIMATELY THE AMOUNT OF FIVE MILLION DOLLARS
(\$5,000,000.) AND APPROVING CERTAIN DOCUMENTS AND
AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH”

Roll call vote as follows:

AYES: Edmiston, Lessenevitch, Schafer, Dempsey, Adams

NAYS: None

ABSTAIN: None

ABSENT: None

ADJOURNMENT:

Motion to adjourn by Director Edmiston, second by Director Schafer;
carried. Meeting adjourned at 6:20 p.m.

Respectfully submitted by:

Denise Hilliker, City Clerk