

**California City Financing Authority  
City Council  
Staff Report  
Assistant City Manager Terry G. Hicks**

Status: X Routine \_\_\_\_\_ Closed Session

Meeting Date: May 16, 2006

ITEM: USDA Water System Loan

**Background:**

The attached documents contain the form of the USDA loan. The flexibility of a Financing Authority is used (for instance the option for a negotiated sale versus a competitive bid). Further, the Offner-Dean lease exception structure is embodied in the documents (whereby lease obligations are not classified as debt). Unlike a traditional bond issue (with bonds sold to the investment public), this will be a private placement with USDA. USDA will hold this loan in their portfolio, with the option of reselling the loan in the financial markets. Thus, the loan has characteristics and covenants of a typical bond issue.

Terms of the loan include:

Amount: up to \$5,000,000

Interest: 4.25%

Term: 40 years

Annual Debt Service: \$262,000

**RECOMMENDATION:**

1. Finance Authority adopt resolution approving attached documents and related actions.
2. City Council adopt resolution approving attached documents and related actions.

Fiscal Impact: None

Environmental Impact: None

NB1



RESOLUTION NO. \_\_\_\_\_

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

WHEREAS, the California City Financing Authority (the "Authority") is a joint exercise of powers authority, organized and existing under the laws of the State of California; and

WHEREAS, the Authority and the City of California City (the "City") desire to enter into that certain Property Lease dated as of May 1, 2006 by and between the City and the Authority (the "Property Lease"), the form of which has been presented to the governing board of the Authority at the meeting at which this Resolution has been adopted, pursuant to which the City will agree to lease the Property (as defined in the Property Lease) to the Authority; and

WHEREAS, the Authority and the City desire to enter into that certain Lease Agreement dated as of May 1, 2006 by and between the City and the Authority (the "Lease Agreement"), the form of which has been presented to the governing board of the Authority at the meeting at which this Resolution has been adopted, pursuant to which the City will agree to lease the Projects (as defined in the Lease Agreement) from the Authority and to pay certain Lease Payments (as defined in the Lease Agreement) in connection therewith; and

WHEREAS, the Lease Payments will be assigned by the Authority and will be pledged to the repayment of the California City Financing Authority Water System Loan (the "Loan") by the Authority pursuant to an Assignment Agreement dated as of May 1, 2006 by and between the United States of America, Department of Agriculture, Rural Utilities Service (the "U.S.D.A.") and the Authority (the "Assignment Agreement"), the form of which has been presented to the governing board of the Authority at the meeting at which this Resolution has been adopted; and

WHEREAS, the proceeds of the Loan will be paid to the City and used to reimburse the City for costs incurred in connection with the expansion of City's Water Facilities; and

WHEREAS, the Authority possesses all legal authority to and desires to enter into the Property Lease, the Lease Agreement, the Assignment Agreement the Loan Resolution; and

WHEREAS, the Authority and City have determined that it would be in the best interests of the Authority, the City and citizens of the community to authorize the Loan in an approximate aggregate principal amount of Five Million Dollars (\$5,000,000), which Loan shall be repaid from the Lease Payments to be made pursuant to the Lease Agreement.

NOW, THEREFORE, THE GOVERNING BOARD OF THE CALIFORNIA CITY FINANCING AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

1. That the foregoing recitals are true, correct, and adopted.

2. That the Authority hereby approves and consents to the preparation of the Loan in an aggregate principal amount of approximately Five Million Dollars (\$5,000,000) in accordance with the terms and provisions of the Lease Agreement.

3. That the Authority hereby appoints Stradling Yocca Carlson & Rauth, a Professional Corporation, to act as Bond Counsel with respect to the issuance of the Bonds.

4. That the proposed forms of the Property Lease, the Lease Agreement, the Assignment Agreement and the Loan Resolution presented at this meeting are hereby approved.

5. That the Chairman of the Authority (the "Chairman") and the Executive Director of the Authority or his designee (the "Executive Director"), acting together or separately, are hereby authorized and directed for and in the name of the Authority to execute the Property Lease, the Lease Agreement, the Assignment Agreement and the Loan Resolution in substantially the form hereby approved, with such additions thereto and changes therein as are recommended or approved by counsel to the Authority and approved by such officers, such approval to be conclusively evidenced by the execution and delivery thereof.

6. That except as otherwise defined herein, capitalized terms used in this Resolution shall have the meanings given them in the Lease Agreement.

7. That the Chairman, the Executive Director and all other members, officers and employees of the Authority are hereby authorized and directed to execute all other documents and take all other actions on behalf of the Authority that may be necessary or advisable to carry out the transactions contemplated by the Property Lease, the Lease Agreement, the Assignment Agreement and the Loan Resolution.

8. That this Resolution shall take effect upon adoption.

**PASSED, APPROVED and ADOPTED** at a regular meeting of the governing board of the California City Financing Authority held on this \_\_\_\_ day of \_\_\_\_\_, 2006, by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

\_\_\_\_\_  
**Chairman**

**(SEAL)**

**ATTEST:**

\_\_\_\_\_  
**Secretary**

