



AGENCY: City Council
MEETING DATE: April 28, 2025
DEPARTMENT: City Manager/Finance Director
PRESENTED BY: I. Whippy/Consultants
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AGENDA ITEM SUMMARY

TITLE:

CONSIDER ADOPTION OF A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FORT BRAGG, APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF THE INSTALLMENT PURCHASE AGREEMENT WITH THE CITY OF FORT BRAGG JOINT POWERS PUBLIC FINANCING AUTHORITY AND ASSIGNMENT OF PAYMENTS THEREUNDER TO EVERBANK, N.A., AND RELATED DOCUMENTS AND ADDITIONAL ACTIONS

ISSUE:

Based on guidance from the City Council over the past six months, and per the recommendation of City staff and its financial consultants, the City intends to issue \$7.8 million of debt to fund a portion of the Middle Mile Broadband Initiative (MMBI, or "Project") project costs. Most of the Project costs will be funded through a \$10.3 million grant from the State of California, while the remaining \$6.93 million of Project costs are to be funded through this debt issuance. The debt structure being utilized is an Installment Purchase Agreement between the City and the City of Fort Bragg Joint Powers Public Financing Authority (the "Authority"), as further described below.

To fund the remaining portion of the costs necessary to complete the Project, the City will enter into an Installment Purchase Agreement (the "2025 IPA") with the Authority. Pursuant to the 2025 IPA, the Authority has agreed to purchase the Project from the City with funds provided by EverBank, N.A. (the "Lender") pursuant to an Assignment Agreement (the "Assignment Agreement") by and between the Authority, as assignor, and the Lender, as assignee. Pursuant to the 2025 IPA, the City will acquire the Project from the Authority and obligate itself to make installment payments on a semi-annual basis. Pursuant to the Assignment Agreement, the Authority will assign to the Lender substantially all of the Authority's rights, title and interest under the 2025 IPA. The financial impact of the 2025 IPA is further described in the Analysis section below and the attached Good Faith Estimates.

BACKGROUND:

On November 25, 2024, City Manager, its Municipal Advisor (NHA Advisors) and its Project consultant (Mitch Drake) delivered a comprehensive presentation to City Council related to the Project and various funding options available to the City. Direction was given to explore debt financing mechanisms that didn't require the City to pledge assets to the debt (as it has done previously for its 2021 Lease Revenue Bonds), and attempt to secure financing terms that would allow the debt to be self-supported (no General Fund "backstop") by the City's new Broadband Enterprise Fund once certain operating metrics were achieved. Given the unique start up nature of the enterprise, it was made clear that the City's General Fund

would, at a minimum, need to act as a “co-signor” for the debt for the initial start period of the enterprise to satisfy credit rating requirements from potential lenders and ensure that debt payments could be made if the new enterprise system wasn’t able to, provided, however, that the City must still appropriate from its General Fund in order to comply with state law.

After refining the financing strategy and pro-forma in early 2025, the City’s Broker-Dealer (Oppenheimer) solicited interest from over 10 lenders/banks. The City received interest from four banks who provided their interest rates and borrowing terms for the transaction. EverBank provided the lowest interest rate, and furthermore, it was also the only bank that provide an automatic mechanism to remove the General Fund as a backstop for the maintenance of the system once certain metrics are met. EverBank does require that the City maintain a debt service reserve fund equal to one year’s worth of debt payments, and the City intends to re-allocate current reserves to meet that requirement (as opposed to financing that amount through the 2025 IPA).

Lender = Banner Bank	Lender = EverBank	Lender = Cap One	Lender = Flagstar Bank
<ul style="list-style-type: none"> •Term = 20 years •Rate = 5.03% •Repayment Structure = gross revenue pledge, supported by revenues of broadband utility and backed up by city general fund revenues •Amort Structure = interest only for 2 years •Credit Enhancement = None •5-Year Call feature 	<ul style="list-style-type: none"> •Term = 20 years •Rate = 4.85% •Repayment Structure = gross revenue pledge, supported by revenues of broadband utility & City GF that springs to a net revenue pledge on the broadband system only •Amort Structure = interest only or Cap-I for 2 years •Credit enhancement = cash funded reserve fund 	<ul style="list-style-type: none"> •Term = 20 years •Rate = 4.95% •Repayment Structure = real property lease purchase financing •Amort Structure = Fully amortizing •Credit Enhancement = Bond insurance 	<ul style="list-style-type: none"> •Term = 20 year amortization 15 year fixed rate •Rate = 5.04% •Repayment Structure = real property lease purchase financing •Amort Structure = Fully amortizing •Credit Enhancement = None

On March 24, 2025, these results were presented to City Council and direction was given to staff and NHA to lock the interest rate with EverBank immediately and move expeditiously to document and close the transaction. Since that time, the team has been working diligently to put together the required legal documentation (drafted by Nixon Peabody, LLP, Special Counsel) and work through credit approval with EverBank. In retrospect, locking the interest rate in late March proved advantageous as significant market volatility emerged shortly after with a spike in interest rates.

It is expected that final credit approval will be obtained during the week of April 28th, with the Authority approval on May 12th, and closing scheduled for May 14th.

ANALYSIS:

The 2025 IPA is being structured to provide the City with \$6.93 million of funds to complete the MMBI Project. After accounting for costs of issuance (\$185,000) and 2-years of pre-funded/capitalized interest (\$749,039), the total loan size is expected to be \$7,864,039. The annual debt requirements are shown below and are amortized over 20 years. As discussed before, the first two years of payments will be funded through capitalized interest to ensure that the City won’t need to make any debt service payments while the enterprise is starting

up. As shown in the table below, the first payment that needs to be made will be \$524,653 in FY 2028 and then \$669,330 annually from FY 2029 to FY 2045.

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	DSR	CIF	Net New D/S
05/01/2026	-	-	367,632.89	367,632.89	-	(367,632.89)	-
05/01/2027	-	-	381,405.88	381,405.88	-	(381,405.88)	-
05/01/2028	145,222.47	4.850%	381,405.88	526,628.35	-	-	526,628.35
05/01/2029	301,095.27	4.850%	370,755.55	671,850.82	-	-	671,850.82
05/01/2030	315,875.45	4.850%	355,975.36	671,850.81	-	-	671,850.81
05/01/2031	331,381.16	4.850%	340,469.65	671,850.81	-	-	671,850.81
05/01/2032	347,648.03	4.850%	324,202.79	671,850.82	-	-	671,850.82
05/01/2033	364,713.39	4.850%	307,137.42	671,850.81	-	-	671,850.81
05/01/2034	382,616.47	4.850%	289,234.35	671,850.82	-	-	671,850.82
05/01/2035	401,398.37	4.850%	270,452.45	671,850.82	-	-	671,850.82
05/01/2036	421,102.24	4.850%	250,748.58	671,850.82	-	-	671,850.82
05/01/2037	441,773.33	4.850%	230,077.49	671,850.82	-	-	671,850.82
05/01/2038	463,459.12	4.850%	208,391.69	671,850.81	-	-	671,850.81
05/01/2039	486,209.44	4.850%	185,641.38	671,850.82	-	-	671,850.82
05/01/2040	510,076.52	4.850%	161,774.30	671,850.82	-	-	671,850.82
05/01/2041	535,115.18	4.850%	136,735.63	671,850.81	-	-	671,850.81
05/01/2042	561,382.95	4.850%	110,467.86	671,850.81	-	-	671,850.81
05/01/2043	588,940.15	4.850%	82,910.66	671,850.81	-	-	671,850.81
05/01/2044	617,850.09	4.850%	54,000.73	671,850.82	-	-	671,850.82
05/01/2045	648,179.14	4.850%	23,671.66	671,850.80	(669,330.64)	-	2,520.16
Total	\$7,864,038.77	-	\$4,833,092.20	\$12,697,130.97	(669,330.64)	(749,038.77)	\$11,278,761.56

SUMMARY OF FINANCING DOCUMENTS:

The subject resolution authorizes and approve the form of all the primary legal documents (the "Financing Documents") necessary to provide for the successful execution of the 2025 IPA. A brief summary of each of the Financing Documents follows.

1. Installment Purchase Agreement: Pursuant to the IPA, the City and the Authority are entering into an arrangement whereby the Authority has agreed to purchase the Project from the City with funds provided by EverBank, N.A. (the "Lender"), and the City agrees to use the funds to fund the remaining portion of the costs necessary to complete the Project by entering into an Installment Purchase Agreement. The IPA also sets forth the interest rate the Lender is charging, the requirement that the Lender be paid from gross revenues of the broadband system until net revenues are sufficient, and other terms and conditions of the financing.

2. Assignment Agreement: Pursuant to the Assignment Agreement, the Authority assigns certain of its rights under the IPA to the Lender, including its rights to payments under the IPA and enforcement rights under the IPA.

3. Project Fund Agreement: Pursuant to the Project Fund Agreement, the City, EverBank as Lender and EverBank as depository bank agree to establish certain deposit accounts where funds will be held and disbursed by the Bank for the Project and in which has certain security interests in.

RECOMMENDED ACTION:

Staff recommends that, the members of the City Council, adopt the attached resolution.

ALTERNATIVE ACTION(S):

1. Do not adopt the resolutions.
2. Provide alternative direction to staff.

FISCAL IMPACT:

There is no financial impact to the FY 2025 budget. The first debt payment will occur in FY 2028 in an amount of 524,653 and is expected to be paid by revenue of the new Broadband Enterprise. All costs of issuance will be financed through the 2025 IPA.

GREENHOUSE GAS EMISSIONS IMPACT:

There is no impact to greenhouse gas emissions from approving the resolution.

STRATEGIC PLAN/CONSISTENCY:

N/A

IMPLEMENTATION/TIMEFRAMES:

1. INVIGORATE ECONOMIC OPPORTUNITY AND COMMUNITY VIBRANCY

1 (D) Develop and maintain affordable and reliable high-speed fiber-optics infrastructure to support and attract diverse businesses, online education, and remote employment that will connect Fort Bragg to the world.

- Construct, manage, and maintain a municipal broadband utility that provides citywide access to underground networks with industry-leading speeds to provide secondary communications during emergencies and support businesses.

ATTACHMENTS:

1. City Resolution
2. Installment Purchase Agreement
3. Assignment Agreement
4. Project Fund Agreement
5. Good Faith Estimates

NOTIFICATION:

N/A