



AGENCY: City of Fort Bragg
MEETING DATE: May 29, 2018
DEPARTMENT: Public Works
PRESENTED BY: John Smith
EMAIL ADDRESS: jsmith@fortbragg.com

AGENDA ITEM SUMMARY

TITLE:

Receive Report and:

- (1) Consider Adoption of City Council Resolution Authorizing the Execution and Delivery of Certificates of Participation and an Installment Sale Agreement to Finance Wastewater System Improvements and Approving Related Documents and Actions;**
- (2) Consider Adoption of City of Fort Bragg Joint Powers Financing Authority Resolution Authorizing the Execution and Delivery of Certificates of Participation and Installment Sale Agreement for the Purpose of Financing Wastewater System Improvements, and Approving Related Documents and Actions;**
- (3) Consider Adoption of City Council Resolution Authorizing City Manager to Execute United States Department of Agriculture Water and Waste System Grant Agreement in the Amount of \$3,388,000 for a Portion of the Cost of the Wastewater Treatment Plant Upgrade Project, City Project No. 2018-01**

ISSUE:

In connection with the provision of loan financing by the United States Department of Agriculture (USDA) for the Wastewater Treatment Plant Upgrade Project (Project) in the amount of \$5,000,000, the City and the City of Fort Bragg Joint Powers Financing Authority (Authority) will enter into certain financing agreements, namely: (1) an Installment Sale Agreement; and (2) a Trust Agreement. The City and the Authority will approve these two agreements pursuant to the resolutions being considered.

ANALYSIS:

At the City Council Meeting on February 26th, the City adopted a resolution acknowledging and accepting the requirements of the USDA's \$5,000,000 loan. This was necessary to complete the funding for the Project under USDA's federal regulations. To complete the financing with the USDA for State law purposes, the City and the Authority need to enter into the Installment Sale Agreement and the Trust Agreement.

Installment Sale Agreement. Pursuant to the Installment Sale Agreement, the City purchases the Project from the Authority in the amount of \$5,000,000. The City will pay the purchase price for the Project over the term of the USDA financing (40 years), by making installment payments to the Authority during such period.

Trust Agreement. Pursuant to the Trust Agreement, the Authority will execute and deliver to the USDA a Certificate of Participation (COP) in the amount of \$5,000,000. The COP evidences the USDA's loan for the Project in such amount. The Authority is responsible for paying principal and interest on the COP semi-annually over the 40-year term of the USDA financing, with each semi-annual payment being equal to the installment payment received by the Authority from the City under the Installment Sale Agreement for such corresponding period.

The use of an Installment Sale Agreement and Trust Agreement, and the issuance of a COP to USDA, is the typical structure pursuant to which USDA is repaid loans to local agencies in California.

USDA Grant Agreement. After bids were received for the construction of the Project, we found that additional funding was needed prior to constructing the project. The USDA kindly offered to assist us with the financing gap. An additional \$1,134,000 grant was given to the City to complete the necessary funding for the Project. Therefore the USDA requires a subsequent Grant Agreement be signed which includes the increase of \$1,134,000 and totaling \$3,388,000.

RECOMMENDED ACTION:

Three separate motions are required to adopt the three resolutions to complete the funding and construction of the Wastewater Treatment Plant Upgrade Project, City Project No. 2018-01. Staff recommends that Council/District Board:

1. Adopt City Council Resolution authorizing the execution and delivery of Certificates of Participation and an Installment Sale Agreement to Finance Wastewater System Improvements and approving related documents and actions;
2. Adopt City of Fort Bragg Joint Powers Financing Authority Resolution authorizing the execution and delivery of Certificates of Participation and Installment Sale Agreement for the Purpose of Financing Wastewater System Improvements, and approving related documents and actions; and
3. Adopt City Council Resolution authorizing City Manager to execute United States Department of Agriculture Water and Waste System Grant Agreement in the amount of \$3,388,000 for a portion of the cost of the Wastewater Treatment Plant Upgrade Project, City Project No. 2018-01.

ALTERNATIVE ACTION(S):

N/A

FISCAL IMPACT:

The project is included in the City's Capital Improvement Plan. Principal and interest payments will be paid out of the Wastewater Enterprise Fund.

CONSISTENCY:

The financing is consistent with City debt management policies, prior debt issued by the City, and standard industry practices.

IMPLEMENTATION/TIMEFRAMES:

Loan closing is expected July 12, 2018.

ATTACHMENTS:

1. Installment Sale Agreement
2. Trust Agreement
3. City Resolution
4. JPA Resolution
5. Resolution - USDA Grant Agreement
6. USDA Grant Agreement

NOTIFICATION:

Jones Hall – James Wawrzyniak