



## City of Sierra Madre Agenda Report

*Rachelle Arizmendi, Mayor*  
*Denise Delmar, Mayor Pro Tem*  
*John Capoccia, Council Member*  
*Gene Goss, Council Member*  
*John Harabedian, Council Member*

*Melinda Carrillo, City Clerk*  
*Michael Amerio City Treasurer*

TO: Honorable Mayor and Members of the City Council

FROM: Marcie Medina, Assistant City Manager

REVIEWED BY: Gabriel Engeland, City Manager

DATE: October 24, 2017

SUBJECT: **CITY OF SIERRA MADRE RESOLUTION NO. 17-55:  
AUTHORIZING THE EXECUTION AND DELIVERY OF AN  
INSTALLMENT PURCHASE AGREEMENT, ESCROW  
AGREEMENT AND OTHER DOCUMENTS RELATED THERETO  
WITH RESPECT TO THE REFINANCING OF THE WATER  
REVENUE REFUNDING BONDS SERIES 1998A AND WATER  
REVENUE PARITY BONDS, SERIES 2003**

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### **SUMMARY**

The City Council/Public Financing Authority approved the refinancing of the Water 1998A and 2003 Bond Debt and PFA Resolution No. 71 at the September 12, 2017 City Council Meeting. This revised proposal reduces the financing amount and results in additional savings of \$170,900 for total savings over the term of the loan of \$1,267,900. This is annual savings of about \$110,000, which increases the City's expected annual savings by an additional \$42,000 from what was originally approved.

### **STAFF RECOMMENDATION**

Staff recommends the City Council approve:

City of Sierra Madre Resolution No. 17-55: Resolution of the City of Sierra Madre, authorizing the execution and delivery of an installment Purchase Agreement, Escrow Agreement and other documents related thereto with respect to the refinancing of the Water Revenue Refunding Bonds Series 1998A and Water Revenue Parity Bonds, Series 2003; authorizing the execution and delivery of documents required in connection therewith; and authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by this Resolution.

### **FINANCIAL REVIEW / SOURCE OF FUNDING**

The bond refunding would result in interest savings of over a million dollars over the term of the loan. Debt service is paid from the water fund, not the general fund. The bond refunding will result in an annual savings of approximately \$110,000.

### **ANALYSIS**

The City's Water Operation has two bonds outstanding, the 1998A and 2003 Bonds, with an outstanding balance of \$7,245,000. The current low interest rate environment provides the City with the opportunity to refund current bond debt at significant savings of about \$1,267,900 over the term of the loan.

<b>1998 &amp; 2003 Bonds Refinancing</b>		
	<b>Existing Bond</b>	<b>HCC</b>
Outstanding Amount	\$ 7,245,000.00	\$ 6,761,976.06
Financing Term (Years)	16 Years	16 Years
Interest Rate	5.035%	3.600%
Total Interest Expense	\$ 3,402,275.00	\$ 2,129,375.44
Savings		\$ 1,267,899.56
Savings %		37.27%

The refinancing would not only result in interest savings but would also eliminate the need for making balloon payments toward the end of the 2003 bond term.

### **PUBLIC NOTICE PROCESS**

This item has been noticed through the regular agenda notification process. Copies of this report are available at City Hall, at the Sierra Madre Public Library, and can be accessed on the City's website at [www.cityofsierramadre.com](http://www.cityofsierramadre.com).

Attachment(s): City of Sierra Madre Resolution No. 17-55

**CITY OF SIERRA MADRE RESOLUTION No. 17-55**

**A RESOLUTION OF THE CITY OF SIERRA MADRE, AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT AND OTHER DOCUMENTS RELATED THERETO WITH RESPECT TO THE REFINANCING OF THE SIERRA MADRE FINANCING AUTHORITY WATER REVENUE REFUNDING BONDS SERIES 1998A AND WATER REVENUE PARITY BONDS, SERIES 2003; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION.**

**WHEREAS**, the City of Sierra Madre (City), which is a public body, politic and corporate duly organized and existing as a political subdivision, municipal corporation, or similar public entity of the State of California, is authorized by the laws of the State of California to purchase, acquire, and finance personal property for the benefit of the City and those it provides services to and to enter into contracts with respect thereto;

**WHEREAS**, the City owns and operates an enterprise that comprises of property and facilities necessary to provide domestic water service within the City (the "Water System");

**WHEREAS**, the Sierra Madre Financing Authority (the "Authority") issued the Sierra Madre Financing Authority Water Revenue Refunding Bonds, Series 1998A (the "Series 1998A Bonds") pursuant to that certain Indenture of Trust, dated as of May 1, 1998, entered into between the Authority, the City and Dai-Ichi Kangyo Bank of California, as initial trustee, for which The Bank of New York Mellon Trust Company, N.A., is the successor and current trustee, under which the Revenues, as defined therein, consist of payments by the City under an Installment Sale Agreement, dated as of May 1, 1998, between the Authority and the City (the "1998 ISA");

**WHEREAS**, the Authority issued the Sierra Madre Financing Authority Water Revenue Parity Bonds, Series 2003 (the "Series 2003 Bonds", and together with the Series 1998A Bonds, the "Revenue Bonds"), pursuant to that certain Indenture of Trust, dated as of September 1, 2003, entered into between the Authority, the City and BNY Western Trust Company, as initial trustee, for which The Bank of New York Mellon Trust Company, N.A., is the successor and current trustee, under which the Revenues, as defined therein, consist of payments by the City under an Installment Sale Agreement, dated as of September 1, 2003, between the Authority and the City (the "2003 ISA," and together with the 1998 ISA, the "Prior ISAs");

**WHEREAS**, the City has determined that refinancing the Revenue Bonds, outstanding in the aggregate principal amount of \$7,908,797.50 by paying off its obligations under the Prior ISAs, by redeeming and paying off the Revenue Bonds with the proceeds of an installment purchase agreement and funded reserve funds for the

Revenue Bonds will reduce the City's interest expense payable from the water revenues of the Water System;

**WHEREAS**, Holman Capital Corporation (the "*Corporation*") has proposed to finance the refinance of the Revenue Bonds and the cost of issuance of \$5,000.00 with the City in the principal amount not to exceed \$6,800,000.00 (the "*Refinancing*");

**WHEREAS**, in order to execute the Refinancing, the City will enter into an Installment Purchase Agreement with the Corporation (together with all related exhibits, schedules, and certificates attached thereto, the "*Agreement*"), and any other certificates, exhibits or other documents needed to complete the Refinancing (together with the Agreement, the "*Transaction Documents*");

**WHEREAS**, the City deems it for the benefit of the City and for the efficient and effective administration thereof to enter into the Transaction Documents for the Refinancing on the terms and conditions therein provided;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SIERRA MADRE DOES HEREBY RESOLVE AS FOLLOWS:**

*Section 1. Approval of Documents.* Gabriel England, City Manager of the City of Sierra Madre and such other persons as he/she/they may delegate ("*Designated Officers*"), each individually, is hereby authorized and directed for and on behalf of the City to negotiate, execute and deliver all of the Transaction Documents in such forms with such changes, modification, negotiations, insertions, revisions, corrections, or amendments as shall be approved by the Designated Officer executing such Transaction Document. The execution of the foregoing by a Designated Officer shall constitute conclusive evidence of such Designated Officer's and the Governing Body's approval of any such changes, insertions, revisions, corrections, negotiations, or amendments to the Transaction Documents.

*Section 2. Designation as Bank Qualified.* The Designated Officers, each individually, is hereby authorized, on behalf of the City and without further action by the City Council, to designate the Installment Purchase Agreement as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

*Section 3. Other Actions Authorized.* The Designated Officers shall take or cause to be taken all action necessary or reasonably required by the parties to the Transaction Documents to carry out, give effect to, and consummate the transactions contemplated thereby (including the execution and delivery of Certificates of Acceptance and Disbursement/Payment Requests, Notice and Acknowledgements of Assignments, and any tax certificate and agreement, each with respect to and as contemplated in the Agreement) and to take or cause to be taken all action necessary in conformity therewith, including, without limitation, the execution and delivery of any closing and other documents required to be delivered in connection with the Transaction



Documents. The Designated Officers is hereby directed and authorized to take or cause to be taken and shall take or cause to be taken all action necessary or reasonably required in order to refinance the Bonds. All actions heretofore taken by officers, employees, and agents of the City that are in conformity with the purposes and intent of this resolution are hereby approved, confirmed, and ratified.

*Section 4. No General Liability.* Nothing contained in this Resolution, the Transaction Documents, nor any other instrument shall be construed with respect to the City as incurring a pecuniary liability or charge upon the general credit of the City or against its taxing power, nor shall the breach of any agreement contained in this Resolution, the Transaction Documents, or any other instrument or document executed in connection therewith impose any pecuniary liability upon the City or any charge upon its general credit or against its taxing power, except to the extent that the installment sale payments payable under the Transaction Documents are special limited obligations of the City as provided therein.

*Section 5. Appointment of Authorized City Representatives.* The Designated Officers are each hereby designated to act as authorized representatives of the City for purposes of the Transaction Documents until such time as the City shall designate any other or different authorized representative for purposes of the Transaction Documents.

*Section 6. Severability.* If any section, paragraph, clause, or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution.

*Section 7. Repealer.* All bylaws, orders, and resolutions or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed as reviving any bylaw, order, resolution, or ordinance or part thereof.

*Section 8. Effective Date.* This Resolution shall be effective immediately upon its approval and adoption.

**APPROVED AND ADOPTED** this 24<sup>th</sup> day of October 2017.

ORIGINAL SIGNED

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Rachelle Arizmendi, Mayor, City of  
Sierra Madre

I hereby certify that the foregoing City Resolution No. 17-55 was adopted at a regular meeting of the City Council and the Public Financing City of the City of Sierra Madre held on this 24<sup>th</sup> day of October 2017 by the following vote:

AYES:

NOES:

ABSENT:

ORIGINAL SIGNED

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Melinda Carrillo,  
City Clerk, City of Sierra Madre,  
California