



CITY OF CLEARLAKE

City Council

STAFF REPORT

SUBJECT: Measure V Road Improvement Projects Financing

MEETING DATE:

April 21, 2021

SUBMITTED BY: Kelcey Young, Director of Finance

PURPOSE OF REPORT: ☐ Information only ☐ Discussion ☒ Action Item

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to Approve the following resolutions:

A resolution of the city council of the city of Clearlake authorizing documents and official actions relating to measure v financing of road improvements

A resolution of the governing board of the Clearlake public financing authority authorizing the execution and delivery of an installment sale agreement and assignment agreement to finance road improvements within the City of Clearlake, and approving related documents and actions

BACKGROUND/DISCUSSION:

In 2018, the City's electorate passed Measure V, a one cent sales and use tax increase. Funds derived from the measure must be used for road maintenance and improvements in the City.

Measure V Revenues currently generate approximately \$2,500,000 annually. The measure sunsets in 2037.

The City has immediate needs for funds to complete acquisition, construction and installation of certain road improvements (collectively, the "Projects") and has evaluated the funding strategies to complete the street improvements including both on a pay-go basis or by long-term financing repayable from and secured by a pledge of revenues generated by the Measure V revenues.

At the City's March 3, 2022 and March 17, 2022 City Council meetings, staff presented the background and analysis of financing the City's street improvements given the low interest rate environment from a historical perspective and rising cost of inflation. The City provided direction to staff to move forward with identifying financing options.

ANALYSIS:

Financing the street improvements allows the City to utilize the Measure V revenues by taking advantage of the current low tax-exempt financing rates to complete the improvements sooner than by accumulating revenues on a year-by-year basis. Other considerations for financing versus completing the improvements on a pay-go basis include rising inflation of project costs, economies of scale captured from aggregating projects and staff time saved by reducing annual pay-go contract process.

This proposed financing would be sold as a private placement to banks through a competitively run bidding process. The City has initiated a competitive process with banks and expects to receive interest rate proposals prior to the City Council meeting which will be provided once the proposals come in as a Supplemental Memo which will include the Not to Exceed Rate and Good Faith Estimate.

DOCUMENTS FOR REVIEW AND APPROVAL

The subject resolution authorizes and directs the City Manager and other City Staff to finalize the financing documents as and when appropriate, and to do all things necessary to provide for the issuance of the financing and delivery of the related documents, subject to the not-to-exceed parameters contained in the resolution. If the final terms for any reason should fall outside of parameters in the resolutions, staff will return for further direction before finalizing the transaction.

Both the City and the Clearlake Public Financing Authority (the “Authority”) are required to complete the legal structure of the financing. The following agreements are entered into by the City and/or the Authority:

Installment Sale Agreement – Agreement that provides for the City to undertake construction of the Projects on behalf of the Authority and the Authority agrees to sell the Projects to the City in return for semiannual installment payments (the “Installment Payments”) to be made by the City as the purchase price of the Projects.

Assignment Agreement – Agreement that provides for the Authority to assign and transfer certain of its rights under the Installment Sale Agreement to a bank (the “Assignee”), to be selected by City staff pursuant to a competitive bidding process, under an Assignment Agreement among the Authority, the City, and the Assignee.

ANTICIPATED SCHEDULE

If the City Council elects to proceed with the Measure V financing of the Projects, the preliminary schedule contemplates the following dates:

Date	Activity
April 20-22	Formal Award to Winning Bank; Enter into a Term Sheet
Early to Mid-June	Execute Legal Documents for the 2022 financing
June 22	Close and delivery of funds

GOOD FAITH ESTIMATES

Pursuant to Government Code Section 5852.1, the following good faith estimates (obtained from the Municipal Advisor) must be disclosed at a public meeting before the authorization of the financing.

The Good Faith Estimates will be included once the proposals have come in and before the public meeting.

OPTIONS:

1. Move to
2. Move to
3. Direct staff to
4. Other direction

FISCAL IMPACT:

☐ None ☒ \$1.5 million annual installment payments Budgeted Item? ☐ Yes ☐ No

Budget Adjustment Needed? ☐ Yes ☐ No If yes, amount of appropriation increase: \$

Affected fund(s): ☐ General Fund ☐ Measure P Fund ☒ Measure V Fund ☐ Other:

Comments:

STRATEGIC PLAN IMPACT:

- ☐ Goal #1: Make Clearlake a Visibly Cleaner City
- ☒ Goal #2: Make Clearlake a Statistically Safer City
- ☒ Goal #3: Improve the Quality of Life in Clearlake with Improved Public Facilities
- ☒ Goal #4: Improve the Image of Clearlake
- ☒ Goal #5: Ensure Fiscal Sustainability of City
- ☐ Goal #6: Update Policies and Procedures to Current Government Standards
- ☒ Goal #7: Support Economic Development

SUGGESTED MOTIONS:

1. Mayor to Open the Hearing for Public Comment
2. Council should Hear Public Comments
3. Council should Close Public Comments by Motion
4. Motion to Approve the City Council Resolution and Public Financing Authority Board Resolution approving the Measure V financing and related documents.

- ☒ **Attachments:**
- 1) City Council Resolution No. 2022-20
 - 2) Public Financing Authority Board Resolution No.PFA-2022-01
 - 3) Installment Purchase Agreement
 - 4) Assignment Agreement
 - 5) Supplemental Memo to include the Not to Exceed Rate and Good Faith Estimate

