RESOLUTION NO. 20-02

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK BOARD OF DIRECTORS PROVIDING FINAL APPROVAL OF AN INFRASTRUCTURE STATE REVOLVING FUND PROGRAM FINANCING IN AN AMOUNT NOT TO EXCEED $14,300,000 FOR THE CITY OF SAN LUIS OBISPO

WHEREAS, the California Infrastructure and Economic Development Bank ("IBank") was established and is existing pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (the "IBank Act"), for the purpose of, among other things, providing financial assistance to eligible projects; and

WHEREAS, the City of San Luis Obispo (the "Borrower") is seeking financing under the Infrastructure State Revolving Fund Program (the "ISRF Program") in the amount of $14,300,000 for financing eligible project costs of the Water Energy Efficiency Project, as more fully described in Attachment A hereto (the "Project"); and

WHEREAS, the Borrower and Project meet all applicable eligibility requirements for infrastructure projects mandated by the IBank Act and by the "Criteria, Priorities, and Guidelines for the Selection of Projects for Financing under the Infrastructure State Revolving Fund (ISRF) Program," dated February 23, 2016 (the "Criteria"), except that:

(i) Section II.A.4 of the Criteria requires that recipients of ISRF Program financings above $2,000,000 pre-qualify contractors for the financed project using the model pre-qualification questionnaire (the "Model Questionnaire") approved by the Department of Industrial Relations (the "Model Questionnaire Criteria"). The Borrower typically pre-qualifies its contractors using its internally-required pre-qualification questionnaire, which is substantially similar to the Model Questionnaire. However, the Borrower does not intend to pre-qualify its contractor for the Project because its Charter exempts it from doing so for improvements similar to the Project; and

WHEREAS, the IBank Board of Directors (the "Board") holds the authority to waive Criteria requirements as necessary to accommodate complex or unusual transactions and, in order to accommodate IBank's financing of the Project, intends to waive compliance with:

(i) the Model Questionnaire Criteria; and

WHEREAS, pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and those U.S. Treasury Regulations implementing such provisions (collectively, "Federal Tax Law"), any funds incurred or expended by the Borrower for the purpose of financing costs associated with the Project on a long-term basis using proceeds of tax-exempt bonds or other tax exempt obligations may be reimbursed from the proceeds of the ISRF Financing (as defined below) provided that the applicable requirements of Federal Tax Law are met (the "Reimbursable Expenditures").

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Infrastructure and Economic Development Bank (the "Board"), as follows:

Section 1. The above recitals are true and correct.

Section 2. Pursuant to this resolution (this "Resolution"), the Board authorizes and approves providing financing under the ISRF Program in a principal amount not to exceed $14,300,000 to the Borrower for the costs of the Project (the "ISRF Financing"), subject to the execution of a financing agreement between IBank and the Borrower and associated loan documentation (collectively, the "Financing Agreement"). Such Financing Agreement shall reflect the Board-approved financing terms and conditions as set forth in Attachment B hereto.

Section 3. All actions heretofore taken by the officers and employees of IBank with respect to the consideration and approval of the ISRF Financing are hereby approved, confirmed and ratified. IBank's Executive Director (the "Executive Director") or the Executive Director's assignees, each acting alone, is hereby authorized and directed, jointly and severally, to perform their duties, provide funding, take actions and execute and deliver the Financing Agreement and any and all other financing documents and instruments they may deem necessary or desirable in order to (i) effect the financing of the Project, (ii) facilitate the transactions contemplated by the ISRF Financing, and (iii) otherwise effectuate the purposes of this Resolution.

Section 4. This Resolution shall not be construed as an unconditional commitment to finance the Project, but rather IBank's approval pursuant to this Resolution is conditioned upon entry by IBank and the Borrower into the Financing Agreement, in form and substance satisfactory to IBank, within 180 days from the date of its adoption. Such satisfaction is conclusively evidenced by IBank's execution and delivery of the same.

Section 5. For purposes of assisting the Borrower in seeking reimbursement for any Reimbursable Expenditures pursuant to Federal Tax Law, the Board hereby declares its reasonable official intent to use proceeds of tax-exempt bonds to reimburse the Borrower for any such Reimbursable Expenditures. This declaration is made solely for purposes of establishing compliance with applicable requirements of Federal Tax Law. This declaration does not bind IBank to provide the ISRF Financing or to reimburse the Borrower any of its Project expenditures.

Section 6. The Board finds that waiver of the Model Questionnaire Criteria is necessary and appropriate to accommodate the ISRF Financing and hereby waives compliance with the Model Questionnaire Criteria.

Section 7. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, AND ADOPTED at a meeting of the Board of Directors of the California Infrastructure and Economic Development Bank on February 26, 2020, by the following vote:

AYES: Steinorth, Ma, Miller, Jimenez, Mendonca

NOES:

ABSENT:

ABSTAIN:

By: Janice Robles for
Scott Wu, Executive Director
Scott Wu

ATTEST

By: _____
Stefan R. Spich,
Secretary of the Board of Directors

ATTACHMENT A

Description of the Project

Generally, the Project consists of upgrades to improve the reliability and energy and operational efficiency of the Borrower's water treatment and distribution system (the "System"), and includes all necessary equipping, installation, design, engineering, construction, construction contingency, demolition, removal, resurfacing, restoration, landscaping, permitting, construction management, project administration, and general project development activities. More specifically, the Project includes the following elements:

- Improvements to the ozone disinfection processes at the Borrower's water treatment plant;
- Installation of control systems at various transfer pump station upgrades to eliminate pressure spikes and modulate pump speeds to more effectively meet varying customer water demand;
- Installation of a variable speed pump for the water treatment plant's water cooling system;
- Replace and upgrade System control hardware and software to allow for monitoring and optimization of the entire System; and
- Other components necessary or desirable in connection with an infrastructure project of this type and that are consistent with the applicable requirements of the IBank Act and the Criteria.

ATTACHMENT B

Financing Terms

1. **Borrower:** City of San Luis Obispo
2. **Project:** Water Energy Efficiency Project
3. **Amount of ISRF Program Financing:** $14,300,000
4. **Maturity:** Twenty (20) years
5. **Repayment/Security:** ISRF Program Financing would be secured by a lien on the Borrower's net system revenues ("Net Revenues") and all legally available amounts in the Borrower's Water Enterprise Fund ("Fund").
6. **Interest Rate:** 2.50%
7. **Fees:** Borrower to pay an origination fee of 1.00%, ($143,000) and an annual fee of 0.30% of the outstanding principal balance.
8. **Not an Unconditional Commitment:** IBank's resolution shall not be construed as unconditional commitment to finance the Project, but rather IBank's approval pursuant to the Resolution is conditioned upon entry by IBank and the Borrower into a Financing Agreement, in form and substance satisfactory to IBank.
9. **Limited Time**: If approved by the Board, the Board's approval expires 180 days from the date of its adoption. Thus, the Borrower and IBank must execute a Financing Agreement no later than 180 days from such date. Once the approval has expired, there can be no assurances that IBank will be able to grant the loan to the Borrower or consider extending the approval period.
10. **ISRF Program Financing Agreement Covenants and Conditions:** The Financing Agreement shall include, among other things, the following covenants:

    a. The Borrower will be required to maintain rates and charges in an amount sufficient to ensure that Net Revenues produce a minimum 1.25 times aggregate annual debt service ratio for obligations on parity with the Financing.
    b. The Borrower has no senior liens and the Borrower will be prohibited from issuing future debt senior to the Financing.
    c. Parity debt will be allowed if Net Revenues amount to at least 1.25 times the Maximum Annual Debt Service ("MADS") taking into consideration the MADS payable in any Fiscal Year on all existing debt and the proposed parity debt.
    d. Subordinate debt will be allowed if Net Revenues are at least 1.10 times the sum of the MADS on all outstanding debt, payable from the Fund, including the proposed Subordinate Debt.
    e. The Borrower will covenant against reducing rates below levels used for all debt service payable from the Fund, and to take actions to increase rates or fund a rate stabilization fund if the debt service coverage ratios fall below required levels.
    f. Upon implementing rates and charges, the Borrower to covenant to ensure that its rate structure conforms to the requirements of Proposition 218 and those of the statutes implementing it and the cases interpreting it. Further, the Borrower to covenant to notify IBank immediately upon the filing of any legal challenge to its rates or charges.
    g. The Borrower to comply with the requirements of the Criteria and all applicable laws, regulations, and permitting requirements associated with public works projects.
    h. The Borrower to provide to IBank annually within 180 days of the end of each of the

Borrower's fiscal year a copy of its audited financial statements together with an annual certificate demonstrating compliance with the foregoing covenants, as well as other information as IBank may request from time to time.

i. No disbursements will be allowed until the Borrower provides evidence reasonably satisfactory to IBank that all parity debt conditions precedent set forth in the State Water Resources Control Board financing agreement have been satisfied.

j. The Borrower's Utilities Manager (or appropriate official) to certify the State Water Resources Control Board debt has been retired.