

**RESOLUTION NO. 19-08**

**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 \$6,000,000 FOR THE CITY OF LAGUNA BEACH**

**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 Laguna Beach (the “Borrower”), a municipal corporation in the State of California, is seeking financing under the Infrastructure State Revolving Fund Program (the “ISRF Program”) in the amount of \$6,000,000 (the “ISRF Financing”) for financing eligible project costs of the Coastal Treatment Plant (“CTP”) Facility Improvement Project, as more fully described in Attachment A hereto (the “Project”); and

**WHEREAS**, the South Orange County Wastewater Authority (“SOCWA”), a joint powers authority, owns and operates the CTP and is responsible for administering the Project; and

**WHEREAS**, the Borrower is a member of SOCWA and conveys its sewage to SOCWA’s CTP for treatment and disposal; and

**WHEREAS**, the Borrower, along with certain other SOCWA member agencies, is responsible for funding the costs of the Project and the Borrower intends to use the proceeds of the ISRF Financing to fund its proportional share of the Project costs; and

**WHEREAS**, the Borrower and the 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”); 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 \$6,000,000 to the Borrower for the costs of the Project (as defined above, the “ISRF Financing”), subject to the execution of a financing agreement between IBank and the Borrower and associated financing 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”), Acting Executive Director, or either of their 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, on or before June 10, 2019. 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.** 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 March 27, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

By: \_\_\_\_\_  
Nancee Robles, Acting Executive Director

ATTEST

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

## ATTACHMENT A

### Description of the Project

Generally, the Project involves constructing upgrades and improvements to the CTP and includes, but is not limited to, all necessary construction, construction contingency, equipping, machinery installation, engineering, architecture, design, permitting, environmental review, project administration, construction management, demolition, and general project development activities. More specifically, the Project includes the following component improvements to the CTP:

- Switchgear replacement inside Modified Building.
- Ferric chloride system improvements.
- Headworks Building modifications.
- Basin structural improvements.
- East secondary basins and east return activated sludge channel rehabilitation.
- West secondary collectors and launders upgrade.
- Contact basin gates improvements.
- Fall protection safety improvements.
- Dissolved air flotation motor control center replacement and electrical room environmental controls upgrades.
- Drainage pump station improvements.
- Motor Control Center E8M replacement.
  
- Electrical distributing system improvements.
- Other components necessary or desirable in connection with an infrastructure project of this type that are consistent with the applicable requirements of the IBank Act and the Criteria.

## ATTACHMENT B

### Financing Terms

1. **Applicant/Borrower:** The City of Laguna Beach
2. **Project:** Coastal Treatment Plant Facility Improvements
3. **Amount of Financing:** \$6,000,000
4. **Maturity:** Twenty (20) years
5. **Repayment/Security:** The ISRF Program Financing would be secured by a senior lien on the City's sewer system revenues ("Net Revenues") and all legally available amounts in the City's Sewer Service Fund ("Fund") on parity with IBank's existing liens of the two Installment Sales Agreements Numbers CIEDB-B04-052 and ISRF 18-123.
6. **Interest Rate:** 3.45%
7. **Fees:** The City to pay an origination fee of 1.00%, \$60,000, included in loan amount, 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 an unconditional commitment to finance the Project, but rather IBank's approval pursuant to the Resolution is conditioned upon entry by IBank and the City into a Financing Agreement, in form and substance satisfactory to IBank.
9. **Limited Time:** The Board's approval expires June 10, 2019. Thus, the City and IBank must enter into the Financing agreement no later than June 10, 2019. Once the approval has expired, there can be no assurances that IBank will be able to provide the Financing to the City 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 City will be required to maintain rates and charges in an amount sufficient to ensure that Net Revenues produce a minimum 1.20 times aggregate annual debt service ratio for obligations on parity with the Financing.
  - b. The City has no senior liens and the City will be prohibited from issuing future debt senior to the Financing.
  - c. Parity debt will be allowed if Net Revenues amount to at least 1.20 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 1.00 times the sum of the MADS on all outstanding debt, payable from the Fund, including the proposed Subordinate Debt.
  - e. The City 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 City 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 City to covenant to notify IBank immediately upon the filing of any legal challenge to its rates or charges.

- g. The City to comply with the requirements of the Criteria, except to the extent of any Criteria waivers, and all applicable laws, regulations, and permitting requirements associated with public works projects.
- h. The City to provide to IBank annually within 180 days of the end of each of the City'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 City provides evidence reasonably satisfactory to IBank that all project funding sources, other than IBank's financing, are secured to pay for the entire project.