



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** April 9, 2013

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Public Works Department  
Administration Division, Finance Department  
City Attorney's Office

**SUBJECT:** Introduction Of Ordinance To Approve An Installment Sale Agreement, Trust Agreement and Continuing Disclosure Agreement In Connection With The Potential Sale of Water Revenue Refunding Certificates Of Participation

### RECOMMENDATION:

That Council introduce, by reading of title only, an Ordinance of the City of Santa Barbara Authorizing the Execution and Delivery by the City of an Installment Sale Agreement, a Trust Agreement and a Continuing Disclosure Agreement in Connection with the Execution and Delivery of City of Santa Barbara Water Revenue Refunding Certificates of Participation, Series 2013, and Authorizing Related Actions.

### DISCUSSION:

Staff from the Public Works Department, Finance Department and the City Attorney's Office have been working toward the sale of Water Fund certificates of participation to refinance the existing 2002 Refunding Certificates of Participation and, potentially, outstanding 2002 and 2003 State Department of Water Resources revolving loans.

The purpose of refinancing existing debt is to capitalize on the historically low interest rate environment and thereby realize savings in current interest costs. Staff anticipates selling the new certificate of participation in May 2013.

In connection with the sale of the certificates of participation, the City will be entering into various long-term agreements that, because they exceed five years in term, require adoption of a City ordinance to approve the execution of the agreements.

One of the agreements is the Installment Purchase Agreement. This agreement is between the City of Santa Barbara and the Santa Barbara Financing Authority (Authority). The Authority was created pursuant to a Joint Exercise of Powers Agreement between the City of Santa Barbara and the Redevelopment Agency of the City. Pursuant to AB 1x26, as amended, the Redevelopment Agency was dissolved as of February 1, 2012. The

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Successor Agency to the Redevelopment Agency succeeded to the Redevelopment Agency and assumed all of the rights, duties and obligations of the former Redevelopment Agency. The Authority was organized for the purpose of assisting and facilitating the financing for purposes authorized under the Joint Powers Act.

The Installment Sales Agreement provides for the sale by the City of the improvements ("Project"), financed by the original bonds issued by Water Fund, to the Authority and then the purchase of the Project from the Authority by the City. The City will utilize net revenue from the Water Fund to make installment payments to the Authority which will be used to pay the debt service on the refinancing certificates of participation. The Installment Sale Agreement sets out the main security parameters for the certificates such as the rate covenant and conditions under which additional debt can be issued

The City will also need to execute a Trust Agreement between the City, Authority and U.S. Bank National Association through which the right to receive the installment payments, and interest thereon, will be assigned by the Authority to the Trustee.

The Continuing Disclosure Agreement requires the City to provide to the Trustee, acting as Dissemination Agent, for the benefit of the holders of the Certificates, certain financial information and notice of certain material events (such as change in certificate rating) on an ongoing basis. Each year, as long as the bonds are outstanding, the City has a requirement to submit financial information to bondholders and the general investment industry pursuant to Securities Exchange Commission requirements. This includes updated information regarding the finances of the City, in this case of the Water Fund, so that current bondholders and potential investors can assess if financial conditions have changed relative to the financial information contained in the original bond offering documents. The City provides the continuing disclosures to the Trustee, who then files the information to the Electronic Municipal Market Access ("EMMA") system administered by the Municipal Securities Rulemaking Board. EMMA is a centralized online source for free access to municipal disclosures, market transparency data and educational materials about the municipal securities market.

### **Next Steps**

During the next two months, City staff will be proceeding with the next steps:

1. Council adoption of a resolution authorizing the distribution of the Preliminary Official Statement and the Official Notice of Sale and the execution and delivery of an Escrow Agreement and the execution and delivery of the certificates, among other actions. .
2. Authority adoption of a resolution authorizing the execution of the Installment Purchase Agreement and Trust Agreement and the execution of the certificates.

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3. Meeting with bond rating agencies to secure a bond rating, which will have a direct impact of the interest rates offered through the competitive bid process.
4. Sale of the Certificates

With the introduction of the ordinance at this meeting, and subsequent adoption on April 16th, the ordinance will become effective thirty days later (May 16th). The sale of the certificates is currently scheduled for the week following the effective date of the ordinance.

Copies of the Installment Sales Agreement, the Trustee Agreement and the Continuing Disclosure Agreement are available for review by the public at the City Clerk's Office and available to Council members in the City Council's reading file.

**PREPARED BY:** Robert Samario, Finance Director  
Sarah Knecht, Assistant City Attorney

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office