

Calistoga Public Facilities Corporation

Staff Report

TO: Chair and Members of the Board of Directors
FROM: William M. Mushallo, Treasurer
DATE: June 21, 2011
SUBJECT: City of Calistoga Water System Improvements Financing - Issuance of \$3,750,000 USDA Loan

APPROVAL FOR FORWARDING:


Richard Spittler, President

1 **ISSUE:** Consider adoption of a Resolution that will finance a \$3,750,000
2 USDA Loan for the City's Mount Washington Water Tank Project.
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RECOMMENDATION: To adopt the Resolution.

4 **BACKGROUND/DISCUSSION:** The Calistoga Public Facilities Corporation
5 (CPFC) was created as a Section 501 (c) (4) non-profit public benefit corporation
6 in September 1987 by the City of Calistoga as to assist in the financing of public
7 improvements in the City.

8 This type of non-profit corporation is required by the Federal IRS code in order to
9 issue a public financing instrument called a Certificate of Participation (COP). A
10 COP is a typical California public financing instrument for public facilities or
11 equipment. It is essentially a type of lease purchase that requires a third party
12 for the lease transaction. The CPFC assigns all of the rights, obligations and
13 financial transactions to others, such as the City or Trustee for the COP.
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15 **Completion of the USDA Loan**

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17 The City of Calistoga has previously authorized participating in a USDA loan of
18 \$3,750,000 to finance a Water Tank Construction Project. On June 21, 2010, the
19 City of Calistoga City Council will consider a resolution to authorize the issuance
20 of a COP to USDA for \$3,750,000. Please see the City of Calistoga City Council

21 agenda item and attachments for more complete information on the project and
22 financing.

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24 Attached is a similar resolution to the one considered by the City of Calistoga.
25 The attached Resolution will authorized the execution of the installment purchase
26 agreement and trust agreement, and authorize any actions necessary in
27 connection with the issuance of the COP. These agreements are typical and
28 provide for the issuance of the COP, the terms and repayment, security for the
29 repayment, requirements for a repayment reserve and other related issues. Due
30 to the nature of USDA loans, a separate trustee is not needed and the trust
31 agreement designates the City Treasurer as the trustee. The agreements will
32 also provide the transfer or assignment of the obligations by the CPFC to the City
33 or Trustee.

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35 The draft installment and trust agreement are the same as the agreements
36 considered by the City of Calistoga. Copies of those agreements are attached to
37 the City of Calistoga agenda item.

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39 **FISCAL IMPACT:** None for the CPFC. All of the rights, obligations and
40 financial transactions are transferred to the City or Trustee for the COP.

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42 **ATTACHMENTS:**

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1. A Resolution approving forms of and authorizing execution of an installment purchase agreement and trust agreement in connection with the execution and delivery of not to exceed \$3,750,000 in 2011 Certificates of participation (USDA Water Loan) and authorizing and directing certain actions with respect thereto