



CALISTOGA PUBLIC FACILITIES CORPORATION

STAFF REPORT

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TO: Honorable Mayor and City Council
FROM: Gloria Leon
DATE: July 17, 2018
SUBJECT: Annual Report of the Calistoga Public Facilities Corporation

SIGNATURE:

A handwritten signature in blue ink, appearing to read "Dylan Feik", is written over a horizontal line.

DYLAN FEIK, City Manager

DESCRIPTION: Annual Report of the Calistoga Public Facilities Corporation

RECOMMENDATION: Receive and File Report

SUMMARY:

BACKGROUND/DISCUSSION: The Calistoga Public Facilities Corporation was created as a Section 501 (c) (4) non-profit public benefit corporation in September 1987 by the City of Calistoga as part of the initial financing of the new Police Station and parking lot. The costs of these improvements were funded, in part, through the issuance of a 1987 \$2,115,000 Certificate of Participation (COP).

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

In 1993, the 1987 COP was refinanced through a financing pool sponsored by the Association of Bay Area Governments (ABAG). In July 2002, the 1993 ABAG COP was refinanced, again, along with the 1997 Logvy Community Park property acquisition note. In all cases, the refinancing was done to lower the interest rates and provide for more flexible terms or coverage. In April 2005, the City of Calistoga issued a \$2,028,500 COP to the United States Department of Agriculture (USDA) for financing the balance of the Wastewater Treatment Plant improvements.

Even though the CPFC is a separate legal entity, it is considered a "component unit" of the City and is included in the audit of the Comprehensive Annual Financial Report. The non-profit corporation had no direct financial transactions or obligations during the 2016/17 fiscal year and therefore there are no financial transactions of the CPFC.

In November 2007, the City issued a municipal lease for \$4,649,000 to provide funding for several community projects. The lease was secured by the public works facility and fire station and provided funds to complete the projects. The lease was issued for 20 years at 4.95% annual interest. The funds were invested to earn an estimated \$170,000 over the two-year period, which served to offset a portion of the interest costs. In addition, the lease incorporated the ability to pay off the financing in a shorter period than usual. This lease was reset on May 1, 2016 as reported under 2015/16 report.

In March 2008, the City issued a, previously authorized, USDA loan of \$2,511,170 to finance a Water Systems Facilities study, replacement of the Kimball Transmission main and Myrtdale/Grant pipeline, Water Treatment Plant and Kimball Reservoir. This was part of the combination USDA Loan/Grant (\$1 million) funding of Phase One of various water facilities projects. (Phase Two is the Mt. Washington water tank). The USDA Loan was issued for 40 years at 4.375% annual interest. Debt service payments were being made through recently secured Measure A funding and have ended as of June 30, 2018.

In June 2011 the City issued a previously authorized USDA loan of \$3,750,000 to finance construction of the Mt Washington Water Tank project. This financing, along with funds previously authorized through Measure A, will fund the remainder of the project. The USDA loan was issued for 40 years at 2.5% annual interest. Debt service payments will be made from the Water Utility and were anticipated during the recently updated rates.

On April 5, 2016, through resolution 2016-029, the City Council approved a rate reset on the City's existing 2007 Capital Improvement Project Lease. A rate reset with the original lender, Westamerica Bank minimized the overall costs of the lease. The outstanding par amount that was refunded was \$3,870,414. The City's debt service is approximately \$374,000 and fiscal year savings approximately \$52,400 per year. The lease was issued for 12 years at 2.44% interest rate and payments to be made on a monthly basis commencing July 1, 2016.

2017/18 Activity

All debt service payments have been made on a timely basis for the 2007, 2008, and 2011 financing. On May 8, 2018, the City issued \$8,920,000 2018 Water and Wastewater Revenue Certificates of Participation (“2018 Refunding COPs”) to refinance the following:

Enterprise Fund	Issued By	Balance at June 30, 2018 (Principal Only)
2005 D Water	CSCDA	\$ 3,255,000
2008 COPS Water	USDA	\$ 1,728,556
2001 B Wastewater	CSCDA	\$ 2,230,000
2005 COPS Wastewater	USDA	<u>\$ 1,688,700</u>
	Total Refinanced	\$ 8,902,256

In total, the City refinanced approximately \$8.9 million of outstanding debt for interest rate savings.

The refinancing reduced the debt service associated with the City’s Water and Wastewater Enterprises through a reduction in interest rates. Additionally, the refinancing did not extend any final maturities of the four loans which were refunded thereby avoiding any additional interest costs of stretching out the debt. Finally, consolidating four existing debt issuances into one single issuance resulted in conservable cost avoidances.

On April 17, City Council approved the refinancing plan. Between April 17th and May 8th, interest rates fluctuated, and the City ultimately sold its debt at a True Interest Cost of 3.23%.

By issuing the \$8.92 million of 2018 Refunding COPs, the City will realize cash flow savings totaling approximately \$1.12 million through 2044 and Net Present Value, or NPV, savings totaling approximately \$784,000. This savings amount equals 8.81% of refunded bonds which is well over industry standard refinancing goal of 3% savings threshold.

Ultimately with this refunding the City continues to set the Water and Wastewater Systems in a positive direction financially while also keeping the early amortization of debt while realizing material savings in each year.

Future Financings

There are no anticipated future financings at this time.

FINANCIAL IMPLICATIONS: Savings of approximately \$1.12 million through 2044 and Net Present Value of approximately \$784,000.

ATTACHMENTS:

1. Debt Service Schedule

Debt Schedule

FY 2018-19

	Original Issue Amount	Balance 7/1/2018	Principal Pymts	Interest Pymts	Total	Principal Balance 6/30/2019
WATER FUND 2018 COP						
Water Revenue Funds Issue Date: 05/08/2018 Principal Payments Due 10/1 2.00 to 5.00%/ 120% June 2037	\$ 3,230,000	\$ 3,230,000	\$ 240,000	\$ 96,475	\$ 336,475	\$ 2,990,000
USDA 2011 COP Issue Date: 08/10/2009 Principal Payments Due 07/12 2.5%/ \$148,237 ** Principal varies based on drawdowns	\$ 3,750,000	\$ 2,848,852	\$ 64,000	\$ 70,421	\$ 134,421	\$ 2,784,852
WATER FUND 2018 COP						
Water Revenue Funds Issue Date: 05/08/2018 2.00 to 5.00%/ 120% June 2044	\$ 1,785,000	\$ 1,785,000	\$ 50,000	\$ 52,661	\$ 102,661	\$ 1,735,000
TOTAL WATER DEBT	\$ 8,765,000	\$ 7,863,852	\$ 354,000	\$ 219,557	\$ 573,557	\$ 7,509,852
WWTP FUND 2018 COP						
Waste Water Revenue Funds Issue Date: 05/08/2018 Principal payments Due 10/1 2.00 to 5.00%/120% June 2032	\$ 2,175,000	\$ 2,175,000	\$ 135,000	\$ 67,143	\$ 202,143	\$ 2,040,000
Waste Water Revenue Funds Issue Date: 05/08/2018 Principal payments Due 10/1 2.00 to 5.00%/120% June 2045	\$ 1,730,000	\$ 1,730,000	\$ 50,000	\$ 50,973	\$ 100,973	\$ 1,680,000
TOTAL WWTP DEBT	\$ 3,905,000	\$ 3,905,000	\$ 185,000	\$ 118,116	\$ 303,116	\$ 3,720,000
GENERAL LONG TERM DEBT ACCOUNT GROUP						
Lease Payable-West America Pool, Fire, recreation, public works Issue Date: 05/01/2016 February 1, 2028 2.44%	\$ 3,870,413	\$ 3,216,853	\$ 298,737	\$ 75,165	\$ 373,902	\$ 2,918,116
TOTAL LONG TERM DEBT	\$ 3,870,413	\$ 3,216,853	\$ 298,737	\$ 75,165	\$ 373,902	\$ 2,918,116
GRAND TOTAL	\$ 16,540,413	\$ 14,985,705	\$ 837,737	\$ 412,838	\$ 1,250,575	\$ 14,147,968