



City of Needles, California Request for Board Action

CITY COUNCIL NPUA BOARD OF PUBLIC UTILITIES
 Regular Special

Meeting Date: November 3, 2020

Title: Recommendation to the Commission of the Needles Public Utility Authority to Approve Resolution No. 11-10-2020-NPUA Authorizing the Issuance of NPUA Water Revenue Bonds, Series 2020, in an Aggregate Principal Amount Not to Exceed \$6,000,000, Appointing a Trustee, Approving the Execution and Delivery of an Indenture of Trust, Bond Purchase Agreement and Continuing Disclosure Certificate, Approving a Preliminary Official Statement and Authorizing Preparation of a Final Official Statement, Authorizing Negotiation of Terms of the Sale of Said Bonds, and Authorizing Certain Other Matters in Connection Therewith

Background: NPUA has conducted a detailed review of financial needs of its Water System, engaged Stantec to complete a Rate Study, and adopted a new water rate schedule at its October 13th Regular Meeting. As part of the Rate Study, NPUA updated a 10-year Capital Improvement Program for the Water System that identifies capital projects and funding sources for those projects, including grants, capital reserves (Asset Replacement Fund), pay go capital, and bond proceeds. Financing a portion of the CIP projects with bond proceeds enables NPUA to accelerate priority projects and allows for more gradual rate increases. Staff has identified \$5 million of capital projects to fund through the issuance of Water Revenue Bonds, Series 2020 (the 2020 Bonds) that will be issued on parity with NPUA's Water Revenue Refunding Bonds, Series 2016 (the 2016 Bonds). The capital projects that are anticipated to be funded by the 2020 Bonds include, but are not limited to, the following improvements: well, reservoir, manifold, and water lines.

The proposed NPUA Resolution will approve all documents and actions needed to authorize the issuance and sale of the 2020 Bonds, including the following substantially final form financing documents together with any changes or additions deemed advisable and approved by the Executive Director or the Finance Director of NPUA:

- **Indenture of Trust** between NPUA and the Trustee (US Bank) which sets forth the material terms and provisions relating to the 2020 Bonds, including payment and redemption provisions, definition of pledge of revenues to pay the 2020 Bonds, covenants of NPUA, flow of funds and accounts, rights and duties of the Trustee, and remedies upon default in the payment of the 2020 Bonds.



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- **Bond Purchase Agreement** between NPUA and the underwriter (Stifel, Nicolaus & Company, Incorporated), pursuant to the terms and provisions of which the 2020 Bonds will be sold with a negotiated method of sale, such terms and provisions including a true interest cost of the 2020 Bonds not to exceed 4.00%, the final maturity not to exceed February 1, 2051, and the underwriter's discount not to exceed \$60,000.
- **Preliminary Official Statement** pursuant to which the 2020 Bonds will be offered for purchase by the public and must contain all facts material to the 2020 Bonds and NPUA (with certain permitted exceptions to be completed in the Final Official Statement) and must not omit or misstate any such material facts. The distribution of the Preliminary Official Statement by NPUA is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the 2020 Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the 2020 Bonds.
- **Continuing Disclosure Certificate** pursuant to which NPUA agrees to provide certain annual reports for the benefit of bond owners and in order to assist the underwriter in complying with certain federal securities laws.

Forms of the Indenture of Trust, Bond Purchase Agreement and Continuing Disclosure Certificate are included in the agenda package. A form of the Preliminary Official Statement will be made available to the Board on Friday, October 30th, and will be placed on file with the Secretary of the Board.

If the Resolution and financing documents are approved by the Commission at its November 10th Regular Meeting, the financing team will meet with the rating agency Standard and Poor's on November 12th, and the sale of the 2020 Bonds is expected to be completed on or about the week of November 30th, with a delivery/closing date on or about the week of December 21st. A portion of the proceeds of the 2020 Bonds will be deposited into a project fund held by US Bank as Trustee of the 2020 Bonds to pay for costs of the CIP projects.

Fiscal Impact: Based on current interest rates and an assumed "A" rating with bond insurance, in order to generate \$5 million in project proceeds, NPUA is estimated to issue approximately \$4.935 million principal amount of 2020 Bonds, with a final maturity of February 1, 2050, and a true interest cost of approximately 3.22%. Estimated average annual debt service of \$292,000 and total debt service of \$8.47 million would be paid by Water System net revenues on parity with the 2016 Bonds.



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In accordance with California Government Code Section 5852.1, good faith estimates are provided with respect to the 2020 Bonds in Exhibit A.

Recommended Action: Recommend that the Commission of the Needles Public Utility Authority approve Resolution No. 11-10-2020-NPUA authorizing the issuance of Water Revenue Bonds, Series 2020, in an aggregate principal amount not to exceed \$6,000,000, appointing a Trustee, approving the execution and delivery of an Indenture of Trust, Bond Purchase Agreement and Continuing Disclosure Certificate, approving a Preliminary Official Statement and authorizing preparation of a Final Official Statement, authorizing negotiation of terms of the sale of said bonds, and authorizing certain other matters in connection therewith.

Submitted By: Sylvia Miledi, Director of Finance
Rick Daniels, City Manager

City Management Review: 

Date: 10/27/20

Approved:

Not Approved:

Tabled:

Other:

Agenda Item: _____

Additional attachments to this agenda item are on file with the Secretary to the Board of Public Utilities and available upon request

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Thank you