

## **RESOLUTION NO. 23-02**

### **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 \$21,000,000 FOR THE CITY OF PACIFICA**

**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 Pacifica (the “Borrower”), a municipal corporation, is seeking financing under the Infrastructure State Revolving Fund Program (the “ISRF Program”) in the amount of \$21,000,000 (the “ISRF Financing”) for financing eligible project costs of the Lower Linda Mar Rehabilitation and Replacement and UV Disinfection System Replacement Project, as more fully described in Attachment A hereto (the “Project”); 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 November 16, 2022 (the “Criteria”), except that;

- (i) Section II.A of the Criteria requires that applicants demonstrate project readiness and feasibility to complete construction within 2 years after IBank’s financing approval (the “2 Year Construction Completion Criteria”). The Project timeline for the completion of construction is 36 months.
- (ii) Section II.A.4 of the Criteria requires that recipients of ISRF Program financings above \$2,000,000 pre-qualify contractors for the financed project using the model pre-qualification questionnaire (the “Model Questionnaire”) approved by the Department of Industrial Relations (the “Model Questionnaire Criteria”). The Borrower typically pre-qualifies its contractors using its internally-required prequalification questionnaire, which is substantially similar to the Model Questionnaire;

**WHEREAS**, the IBank Board of Directors (the “Board”) holds the authority to waive Criteria requirements as necessary to accommodate complex or unusual transactions and, in order to accommodate IBank’s financing of the Project, intends to waive compliance with

- (i) the 2 Year Construction Completion Criteria; and
- (ii) the Model Questionnaire Criteria.

**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 \$21,000,000 to the Borrower for the costs of the Project, 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, Chief Deputy 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, no later than May 26, 2023. 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.** The Board finds that waiver of the 2 Year Construction Completion Criteria, and the Model Questionnaire Criteria is necessary and appropriate to accommodate the ISRF Financing and hereby waives compliance with the 2 Year Construction Completion Criteria, and the Model Questionnaire Criteria.

**Section 7.** 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 January 25, 2023, by the following vote:

AYES: Myers, Fernandez, Miller, Quant, Steinorth

NOES:

ABSENT:

ABSTAIN:

By: **scott wu** Digitally signed by scott  
wu  
Date: 2023.01.25  
14:39:19 -08'00'  
\_\_\_\_\_  
Scott Wu,  
Executive Director

ATTEST

By:   
\_\_\_\_\_  
Stefan Spich  
Secretary of the Board of Directors

## ATTACHMENT A

### Description of the Project

Generally, the Project involves the repair and replacement of the Borrower's system in the Lower Linda Mar neighborhood and of the system's UV Disinfection facility. The Project includes, but is not limited to, design, engineering, architecture, construction, construction contingency, demolition, removal, resurfacing, restoration, landscaping, permitting, construction management, project administration, and general project development activities.

More specifically, the Project includes consists of the following components:

- Excavating and grading the sites;
- Installation of approximately 19,580 linear feet (LF) of sewer mainlines in the Lower Linda Mar neighborhood;
- Replacement of an approximately 6-inch vitrified clay pipe (VCP) sanitary sewer mainline with new 8-inch High-density polyethylene (HDPE) pipe by pipe bursting;
- Replacement of 307 of 20-in VCP sanitary sewer mainline with new 27-inch PVC by open trench;
- Lateral reconnection, and Inflow and Infiltration (I&I) resealing of 66 manholes and replacement of 5 manholes;
- Replacement of the UV Disinfection System component;
- Appurtenant work such as landscaping, and fencing; and
- Other components necessary or desirable in connection with an infrastructure project of this type and that are consistent with the applicable requirements of the IBank Act and the Criteria.

## ATTACHMENT B

### Financing Terms

1. **Applicant/Borrower:** The City of Pacifica
2. **Project:** Lower Linda Mar Rehabilitation and Repair and UV Disinfection System Replacement Project
3. **Amount of Financing:** \$21,000,000
4. **Maturity:** Thirty (30) years
5. **Repayment/Security:** The ISRF Program financing will be secured by a senior lien on the City's Sewer Utility Enterprise revenues (Net Revenues) and all legally available amounts in the City's Sewer Utility Enterprise Fund.
6. **Interest Rate:** 4.36% (including a 0.30% annual servicing fee)
7. **Fees:** The City to pay an origination fee of 1.00%, \$210,000, and an annual servicing fee of 0.30% of the outstanding principal balance.
8. **Not an Unconditional Commitment:** IBank's resolution shall not be construed as unconditional commitment to finance the Project, but rather IBank's approval pursuant to the resolution is conditioned upon entry by IBank and the Borrower into an ISRF Program financing agreement (or agreements), in form and substance satisfactory to IBank.
9. **Limited Time:** If approved by the Board, the Board's approval expires on March 21, 2023. Thus, the Borrower and IBank must execute a financing agreement no later than May 26, 2023. Once the approval has expired, there can be no assurances that IBank will be able to grant the loan to the Borrower 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:
  - The Borrower will be required to maintain rates and charges in an amount sufficient to ensure that Net Revenues produce a minimum 1.25 times aggregate annual debt service ratio for obligations on parity with the Financing.
  - The fund will be prohibited from issuing future debt senior to the Financing.
  - 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.
  - 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.
  - The Borrower 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.
  - Upon implementing rates and charges, the Borrower will 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 will covenant to notify IBank immediately upon the filing of any legal challenge to its rates or charges.
  - The Borrower to comply with the requirements of the ISRF Criteria and all applicable laws, regulations, and permitting requirements associated with public works projects, unless expressly waived.

- The Borrower 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 any other information as IBank may request from time to time.
- The Borrower to provide evidence reasonably satisfactory to IBank that all parity debt conditions precedent set forth in the financing agreements for existing bond issues have been satisfied.