

RESOLUTION NO. 24-15

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 \$26,000,000 FOR THE CITY OF SANTA CRUZ

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 Santa Cruz (the “Borrower”), a municipal corporation, is seeking financing under the Infrastructure State Revolving Fund Program (the “ISRF Program”) in the amount of \$26,000,000 (the “ISRF Financing”) for financing eligible project costs of the Front-Spruce-Pacific 54-Inch Sewer Rehabilitation Project and the Wastewater Facility Headworks Rehabilitation Project, as more fully described in Attachment A hereto (collectively, 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 June 28, 2023 (the “Criteria”); and

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 \$26,000,000 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, within 180 days from the date of its adoption. 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. 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 September 25, 2024, by the following vote:

AYES: Dombrowski, Sheldon, Jarvis, Quant, Steinorth

NOES:

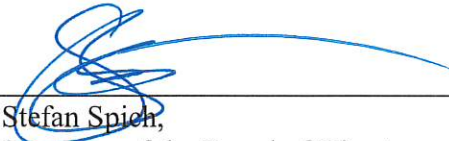
ABSENT:

ABSTAIN:

By: **scott wu** Digitally signed by scott wu
Date: 2024.09.25 15:24:53 -07'00'

Scott Wu,
Executive Director

ATTEST

By: 

Stefan Spieh,
Secretary of the Board of Directors

ATTACHMENT A

Description of the Project

Generally, the Project is composed of two separate and distinct projects: the Front-Spruce-Pacific 54-Inch Sewer Rehabilitation Project, and the Wastewater Treatment Facility Headworks Rehabilitation Project.

Both involve the construction and equipping of facilities that are part of the Borrower's wastewater treatment system. 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.

Specifically, the Front-Spruce-Pacific 54-Inch Sewer Rehabilitation Project consists of the following components:

- Addressing the deterioration in the pipes.
- Rehabilitation of seven manholes as well as the sanitary sewer cure-in-place-pipe (CIPP) infiltration mitigation.
- Demolition, sewage flow control, and excavation support and protection.
- 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.

Specifically, the Wastewater Treatment Facility Headworks Rehabilitation Project consists of the following components:

- Rehabilitating the influent and headworks infrastructure, including improvements to the headworks vault, influent vault, screen room, influent wet well, and influent pump station.
- Replacement of two influent pumps with submersible pumps to increase facility resiliency in the event of an extreme weather event or flood.
- Upgrading the ventilation system at the headworks facility to improve the air quality within the screen room, to improve worker comfort, health, and safety.
- 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 Santa Cruz
2. **Project:** Front-Spruce-Pacific 54-Inch Sewer Rehabilitation Project (Project #1) and Wastewater Treatment Facility Headworks Rehabilitation Project (Project #2).
3. **Amount of Financing:** \$26,000,000
4. **Maturity:** Thirty (30) years. Financing may not be prepaid during the first 10 years.
5. **Repayment/Security:** The ISRF Program financing will be secured by a senior lien on the City's Wastewater Enterprise Fund revenues (Net Revenues) and all legally available amounts in the Fund.
6. **Interest Rate:** 4.10% (inclusive of a 0.15% annual servicing fee)
7. **Fees:** The City to pay an origination fee of 1.00% (\$260,000), and an annual servicing fee of 0.15% of the outstanding principal balance.
8. **Rate Lock:** The interest rate will be locked for a period of 90 calendar days after IBank Board (Board) approval of the ISRF financing (the Rate Lock Period). After the Rate Lock Period, and up until IBank's Financing commitment expires, the interest rate may be reset at the discretion of IBank's Credit Committee.
9. **Limited Time:** If approved by the Board, the Board's approval expires 180 days from the date of its adoption. Thus, the Borrower and IBank must execute a financing agreement no later than 180 days from such date. 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. **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.
11. **ISRF Program Financing Agreement Covenants and Conditions:** The Financing Agreement shall include, among other things, the following covenants:
 - The Fund has no debt secured by senior lien on Net Revenues, and the Borrower 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 be required to maintain rates and charges in an amount sufficient to ensure that Net Revenues produce a minimum 1.20 times aggregate annual debt service ratio for obligations on parity with the Financing, and a minimum 1.00-time annual debt service coverage ratio when including subordinate debt.
 - 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 to which Proposition 218 applies, 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 shall meet standard insurance requirements with respect to the enterprise system, general liability insurance, worker's compensation, and builder's risk insurance.
- 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.
- Such other covenants and conditions that IBank or its counsel may reasonably require.