



City of Del Mar Staff Report



TO: Honorable Mayor and City Council Members

FROM: Mark Delin, Assistant City Manager
Via Scott W. Huth, City Manger

DATE: March 21, 2016

SUBJECT: A Resolution of the City Council of the City of Del Mar, California Authorizing the Incurring of an Obligation, Payable to the California Infrastructure and Economic Development Bank, For the Financing of the City Hall and Town Hall Project and Approving Certain Other Matters in Connection Therewith,

REQUESTED ACTION / RECOMMENDATION:

Review and consider the financing options presented in the report, and adopt one of two attached resolutions as appropriate. Staff recommends adopting the resolution authorizing a loan of \$16,161,616 entitled: "A Resolution of the City Council of the City of Del Mar, California Authorizing the Incurring of an Obligation, Payable to the California Infrastructure and Economic Development Bank, For the Financing of a Capital Improvement Project and Approving Certain Other Matters in Connection Therewith" and the selection of the Powerhouse Community Center as the interim leased asset.

DISCUSSION/ANALYSIS:

In its report of February 1, 2016, staff requested that Council consider the decision on the amount of cash versus debt to use for the City Hall project, with respect to input provided by the Finance Committee and staff. At that time, Council determined that based upon the City Hall project budgeted cost of \$17,845,443, that the financing plan should have an overall goal of using approximately \$16 million in loan proceeds and \$2 million in cash, but that the full project cost should be initially borrowed to provide for a financial contingency against unforeseen conditions or design changes. The additional proceeds would then be returned to I-Bank and the loan downsized once the project cost was confirmed. The I-Bank recently issued a secondary interpretation of their practices on downsizing loans which indicates that the City should not count on having the loan downsized, but should target the actual loan size required in the initial application, and if more funds are required, to apply for an additional loan, which they

City Council Action:

described as a simple matter of updating the existing loan documents. Based upon this information and Council direction to target the final loan size as \$16 million, staff is recommending that the initial loan size be set at \$16 million, plus a 1 percent financing fee, indicating a final loan amount of \$16,161,616.

Leased Asset Considerations

In its meeting of February 1, 2016 Council direction was also requested relating to the selection of the leased asset for the financing.

Staff recommended that the City Hall/Town Hall project be used for the majority of the lease period, and that the Powerhouse Community Center be used during construction to avoid the cost of capitalized interest [see text box at end of report for additional information]. Council concurred with this recommendation and directed that staff reach out to the Friends of the Powerhouse, as contributors to the Powerhouse remodel to determine whether they would be supportive of this collateral mechanism, and the Friends indicated their support.

Substitution of leased Assets is very common in “lease financing transactions” primarily because it saves money by avoiding capitalized interest. In order to substitute the asset at the completion of construction, the City must complete a series of steps which include:

1. Request the substitution from the IBank
2. Provide a certificate of occupancy indicating that the City Hall/Town Hall project is now fit to be occupied, and is suitable as a leased asset.
3. Provide an indication of value such as from a real estate appraiser, or documentation of construction costs.
4. Provide a title insurance policy
5. Provide various opinions of legal counsel indicating that the City has complied with the various covenants of the loan and that the tax-exempt status of the bonds will not be impaired.

Note that while IBank indicates that they would have every intention of honoring the City’s request to perform the asset substitution upon completion of construction, they are unable to specifically write this clause into the loan documents. This is because lease financings require documented evidence that the leasable value is equal to the debt service. The IBank indicates that this valuation cannot be done in advance, but must be done at the time of the substitution request which is a standard across all financial institutions.

If the City elects to use the City Hall as the leased asset during the construction period, it will need to increase the size of the loan by about \$1.35 million, and will have increased annual debt service costs of up to \$159,000 per year. Note that the City will

not need to make debt service payments in the first 2.5 years, but will overall pay an additional \$1.84 million in costs over the life of the loan. The amortization schedules for the two loan schedules as provided by the IBank are contained in Attachments A and B. The loan terms are summarized in the table below.

	With Capitalized Interest	Without Capitalized Interest	Variance
Loan Size	\$ 17,511,218	\$ 16,161,616	\$ 1,349,602
Maximum Annual Debt Service	\$ 1,052,213	\$ 893,171	\$ 159,042
Estimated Interest Rate	3.24%	3.24%	\$ -
Financing Fee Paid Annually on Remaining Loan Balance	0.30%	0.30%	
Term	30 years	30 years	

In order to not need to increase the size of the loan, staff is recommending that the Council direct staff to use the Powerhouse as the leased asset during construction and then request the IBank to change the leased asset to the City Hall/Town Hall at the conclusion of construction. Staff believes that the risk of a default by the City, with its AAA credit rating (the highest possible) is immaterial, and does not justify the additional cost.

Attached to this report are two resolutions, of which one should be selected for adoption by Council. The resolution in Attachment C reflects the \$16.162 million loan size required assuming that the Powerhouse can be used as the interim leased asset, and the resolution in Attachment D reflects the \$17.511 million loan size required if the Powerhouse cannot be used. Council is requested to select one of the two resolutions as appropriate. Either resolution will give the City Manager the authority to execute the financing agreement for the loan.

FISCAL IMPACT

Once the loan documents are finalized, staff will make the adjustments as required to the Fiscal Year 2015-2016 and 2016-2017 Operating and Capital budget.

ENVIRONMENTAL IMPACT:

None.

ATTACHMENTS

- Attachment A – Bond Amortization Schedule – Base Project
- Attachment B – Bond Amortization Schedule with Added Capitalized Interest Cost
- Attachment C – Proposed Resolution - \$16.161M Loan
- Attachment D – Proposed Resolution - \$17.511M Loan

Lease Financing Primer:

The IBank loan is structured as a lease financing (similar to what the City used to refinance the Shores Park promissory note). Lease financing is the most common municipal financing structure. Essentially, the City leases an asset to the IBank, and then, the IBank subleases the asset back to the City, and the lease payments that the City makes to the IBank serve as the debt service payments for the loan. The leased asset serves as a security for the loan. In case of default, the IBank would attempt to re-lease the asset in order to attempt to make up the debt service payment from another lessee until the default is cured. The asset itself is not at risk. The asset to be leased must be an essential City asset and must be equal or greater in value to the amount of the loan. The City has only two assets which will meet this criteria: the City Hall/Town Hall project itself, which by default will have the loan value, and the Powerhouse Community Center. If the City Hall is used as the leased asset, interest on the loan must be paid from the loan proceeds during construction, which adds to the size of the loan required. The interest and fees are then paid by the loan proceeds while the project is being constructed.

Attachment A – City Hall/Town Hall Project Amortization Schedule

Payment Date	Ending Principal Balance	Principal Payment	Interest Payment	Total Principal & Interest	Annual Fee	Total Payment	Total Payment Fiscal Year Ending 30-Jun
1-Sep-2016	\$16,161,616.00						
1-Feb-2017			\$218,181.82	\$218,181.82		\$218,181.82	\$218,181.82
1-Aug-2017	\$15,834,913.88	\$326,702.12	\$261,818.18	\$588,520.30	\$48,484.85	\$637,005.15	
1-Feb-2018			\$256,525.60	\$256,525.60		\$256,525.60	\$893,530.76
1-Aug-2018	\$15,497,626.60	\$337,287.27	\$256,525.60	\$593,812.88	\$47,504.74	\$641,317.62	
1-Feb-2019			\$251,061.55	\$251,061.55		\$251,061.55	\$892,379.17
1-Aug-2019	\$15,149,411.22	\$348,215.38	\$251,061.55	\$599,276.93	\$46,492.88	\$645,769.81	
1-Feb-2020			\$245,420.46	\$245,420.46		\$245,420.46	\$891,190.27
1-Aug-2020	\$14,789,913.67	\$359,497.56	\$245,420.46	\$604,918.02	\$45,448.23	\$650,366.25	
1-Feb-2021			\$239,596.60	\$239,596.60		\$239,596.60	\$889,962.86
1-Aug-2021	\$14,418,768.39	\$371,145.28	\$239,596.60	\$610,741.88	\$44,369.74	\$655,111.62	
1-Feb-2022			\$233,584.05	\$233,584.05		\$233,584.05	\$888,695.67
1-Aug-2022	\$14,035,598.00	\$383,170.39	\$233,584.05	\$616,754.43	\$43,256.31	\$660,010.74	
1-Feb-2023			\$227,376.69	\$227,376.69		\$227,376.69	\$887,387.43
1-Aug-2023	\$13,640,012.89	\$395,585.11	\$227,376.69	\$622,961.79	\$42,106.79	\$665,068.59	
1-Feb-2024			\$220,968.21	\$220,968.21		\$220,968.21	\$886,036.80
1-Aug-2024	\$13,231,610.83	\$408,402.06	\$220,968.21	\$629,370.27	\$40,920.04	\$670,290.31	
1-Feb-2025			\$214,352.10	\$214,352.10		\$214,352.10	\$884,642.41
1-Aug-2025	\$12,809,976.54	\$421,634.29	\$214,352.10	\$635,986.39	\$39,694.83	\$675,681.22	
1-Feb-2026			\$207,521.62	\$207,521.62		\$207,521.62	\$883,202.84
1-Aug-2026	\$12,374,681.30	\$435,295.24	\$207,521.62	\$642,816.86	\$38,429.93	\$681,246.79	
1-Feb-2027			\$200,469.84	\$200,469.84		\$200,469.84	\$881,716.63
1-Aug-2027	\$11,925,282.49	\$449,398.81	\$200,469.84	\$649,868.64	\$37,124.04	\$686,992.69	
1-Feb-2028			\$193,189.58	\$193,189.58		\$193,189.58	\$880,182.27
1-Aug-2028	\$11,461,323.16	\$463,959.33	\$193,189.58	\$657,148.91	\$35,775.85	\$692,924.75	
1-Feb-2029			\$185,673.44	\$185,673.44		\$185,673.44	\$878,598.19
1-Aug-2029	\$10,982,331.55	\$478,991.61	\$185,673.44	\$664,665.05	\$34,383.97	\$699,049.02	
1-Feb-2030			\$177,913.77	\$177,913.77		\$177,913.77	\$876,962.79
1-Aug-2030	\$10,487,820.61	\$494,510.94	\$177,913.77	\$672,424.71	\$32,946.99	\$705,371.71	
1-Feb-2031			\$169,902.69	\$169,902.69		\$169,902.69	\$875,274.40
1-Aug-2031	\$9,977,287.52	\$510,533.09	\$169,902.69	\$680,435.79	\$31,463.46	\$711,899.25	
1-Feb-2032			\$161,632.06	\$161,632.06		\$161,632.06	\$873,531.31
1-Aug-2032	\$9,450,213.15	\$527,074.37	\$161,632.06	\$688,706.42	\$29,931.86	\$718,638.29	
1-Feb-2033			\$153,093.45	\$153,093.45		\$153,093.45	\$871,731.74
1-Aug-2033	\$8,906,061.57	\$544,151.58	\$153,093.45	\$697,245.03	\$28,350.64	\$725,595.67	
1-Feb-2034			\$144,278.20	\$144,278.20		\$144,278.20	\$869,873.87
1-Aug-2034	\$8,344,279.49	\$561,782.09	\$144,278.20	\$706,060.28	\$26,718.18	\$732,778.47	
1-Feb-2035			\$135,177.33	\$135,177.33		\$135,177.33	\$867,955.80
1-Aug-2035	\$7,764,295.66	\$579,983.83	\$135,177.33	\$715,161.15	\$25,032.84	\$740,193.99	
1-Feb-2036			\$125,781.59	\$125,781.59		\$125,781.59	\$865,975.58
1-Aug-2036	\$7,165,520.36	\$598,775.30	\$125,781.59	\$724,556.89	\$23,292.89	\$747,849.78	
1-Feb-2037			\$116,081.43	\$116,081.43		\$116,081.43	\$863,931.21
1-Aug-2037	\$6,547,344.73	\$618,175.62	\$116,081.43	\$734,257.05	\$21,496.56	\$755,753.61	
1-Feb-2038			\$106,066.98	\$106,066.98		\$106,066.98	\$861,820.60
1-Aug-2038	\$5,909,140.22	\$638,204.51	\$106,066.98	\$744,271.50	\$19,642.03	\$763,913.53	
1-Feb-2039			\$95,728.07	\$95,728.07		\$95,728.07	\$859,641.60
1-Aug-2039	\$5,250,257.88	\$658,882.34	\$95,728.07	\$754,610.41	\$17,727.42	\$772,337.83	
1-Feb-2040			\$85,054.18	\$85,054.18		\$85,054.18	\$857,392.01
1-Aug-2040	\$4,570,027.76	\$680,230.13	\$85,054.18	\$765,284.30	\$15,750.77	\$781,035.08	
1-Feb-2041			\$74,034.45	\$74,034.45		\$74,034.45	\$855,069.53
1-Aug-2041	\$3,867,758.17	\$702,269.58	\$74,034.45	\$776,304.03	\$13,710.08	\$790,014.12	
1-Feb-2042			\$62,657.68	\$62,657.68		\$62,657.68	\$852,671.80
1-Aug-2042	\$3,142,735.06	\$725,023.12	\$62,657.68	\$787,680.80	\$11,603.27	\$799,284.07	
1-Feb-2043			\$50,912.31	\$50,912.31		\$50,912.31	\$850,196.38
1-Aug-2043	\$2,394,221.19	\$748,513.87	\$50,912.31	\$799,426.17	\$9,428.21	\$808,854.38	
1-Feb-2044			\$38,786.38	\$38,786.38		\$38,786.38	\$847,640.76
1-Aug-2044	\$1,621,455.48	\$772,765.72	\$38,786.38	\$811,552.10	\$7,182.66	\$818,734.76	
1-Feb-2045			\$26,267.58	\$26,267.58		\$26,267.58	\$845,002.34
1-Aug-2045	\$823,652.15	\$797,803.32	\$26,267.58	\$824,070.90	\$4,864.37	\$828,935.27	
1-Feb-2046			\$13,343.16	\$13,343.16		\$13,343.16	\$842,278.43
1-Aug-2046		\$823,652.15	\$13,343.16	\$836,995.32	\$2,470.96	\$839,466.27	\$839,466.27
Total Payments:		\$16,161,616.00	\$9,304,902.09	\$25,466,518.09	\$865,605.41	\$26,332,123.51	\$26,332,123.51

Attachment B – City Hall/Town Hall Project Amortization Schedule Including Capitalized Interest –

Payment Date	Ending Principal Balance	Principal Payment	Interest Payment	Total Principal & Interest	Annual Fee	Total Payment	Total Payment Fiscal Year Ending 30-Jun
1-Sep-2016	\$17,511,218.00						
1-Feb-2017			\$236,401.44	\$236,401.44		\$236,401.44	\$236,401.44
1-Aug-2017			\$283,681.73	\$283,681.73	\$52,533.65	\$336,215.39	
1-Feb-2018			\$283,681.73	\$283,681.73		\$283,681.73	\$619,897.12
1-Aug-2018			\$283,681.73	\$283,681.73	\$52,533.65	\$336,215.39	
1-Feb-2019			\$283,681.73	\$283,681.73		\$283,681.73	\$619,897.12
1-Aug-2019	\$17,071,782.99	\$439,435.01	\$283,681.73	\$723,116.74	\$52,533.65	\$775,650.40	
1-Feb-2020			\$276,562.88	\$276,562.88		\$276,562.88	\$1,052,213.28
1-Aug-2020	\$16,618,110.28	\$453,672.71	\$276,562.88	\$730,235.59	\$51,215.35	\$781,450.94	
1-Feb-2021			\$269,213.39	\$269,213.39		\$269,213.39	\$1,050,664.33
1-Aug-2021	\$16,149,738.58	\$468,371.70	\$269,213.39	\$737,585.09	\$49,854.33	\$787,439.42	
1-Feb-2022			\$261,625.76	\$261,625.76		\$261,625.76	\$1,049,065.18
1-Aug-2022	\$15,666,191.63	\$483,546.95	\$261,625.76	\$745,172.71	\$48,449.22	\$793,621.93	
1-Feb-2023			\$253,792.30	\$253,792.30		\$253,792.30	\$1,047,414.23
1-Aug-2023	\$15,166,977.77	\$499,213.87	\$253,792.30	\$753,006.17	\$46,998.57	\$800,004.75	
1-Feb-2024			\$245,705.04	\$245,705.04		\$245,705.04	\$1,045,709.79
1-Aug-2024	\$14,651,589.37	\$515,388.40	\$245,705.04	\$761,093.44	\$45,500.93	\$806,594.37	
1-Feb-2025			\$237,355.75	\$237,355.75		\$237,355.75	\$1,043,950.12
1-Aug-2025	\$14,119,502.39	\$532,086.98	\$237,355.75	\$769,442.73	\$43,954.77	\$813,397.50	
1-Feb-2026			\$228,735.94	\$228,735.94		\$228,735.94	\$1,042,133.43
1-Aug-2026	\$13,570,175.79	\$549,326.60	\$228,735.94	\$778,062.54	\$42,358.51	\$820,421.04	
1-Feb-2027			\$219,836.85	\$219,836.85		\$219,836.85	\$1,040,257.89
1-Aug-2027	\$13,003,051.01	\$567,124.78	\$219,836.85	\$786,961.63	\$40,710.53	\$827,672.15	
1-Feb-2028			\$210,649.43	\$210,649.43		\$210,649.43	\$1,038,321.58
1-Aug-2028	\$12,417,551.39	\$585,499.62	\$210,649.43	\$796,149.05	\$39,009.15	\$835,158.20	
1-Feb-2029			\$201,164.33	\$201,164.33		\$201,164.33	\$1,036,322.53
1-Aug-2029	\$11,813,081.58	\$604,469.81	\$201,164.33	\$805,634.14	\$37,252.65	\$842,886.80	
1-Feb-2030			\$191,371.92	\$191,371.92		\$191,371.92	\$1,034,258.72
1-Aug-2030	\$11,189,026.95	\$624,054.63	\$191,371.92	\$815,426.55	\$35,439.24	\$850,865.80	
1-Feb-2031			\$181,262.24	\$181,262.24		\$181,262.24	\$1,032,128.04
1-Aug-2031	\$10,544,752.95	\$644,274.00	\$181,262.24	\$825,536.24	\$33,567.08	\$859,103.32	
1-Feb-2032			\$170,825.00	\$170,825.00		\$170,825.00	\$1,029,928.32
1-Aug-2032	\$9,879,604.47	\$665,148.48	\$170,825.00	\$835,973.48	\$31,634.26	\$867,607.74	
1-Feb-2033			\$160,049.59	\$160,049.59		\$160,049.59	\$1,027,657.33
1-Aug-2033	\$9,192,905.18	\$686,699.29	\$160,049.59	\$846,748.88	\$29,638.81	\$876,387.70	
1-Feb-2034			\$148,925.06	\$148,925.06		\$148,925.06	\$1,025,312.76
1-Aug-2034	\$8,483,956.83	\$708,948.35	\$148,925.06	\$857,873.41	\$27,578.72	\$885,452.13	
1-Feb-2035			\$137,440.10	\$137,440.10		\$137,440.10	\$1,022,892.23
1-Aug-2035	\$7,752,038.56	\$731,918.27	\$137,440.10	\$869,358.37	\$25,451.87	\$894,810.25	
1-Feb-2036			\$125,583.02	\$125,583.02		\$125,583.02	\$1,020,393.27
1-Aug-2036	\$6,996,406.13	\$755,632.43	\$125,583.02	\$881,215.45	\$23,256.12	\$904,471.57	
1-Feb-2037			\$113,341.78	\$113,341.78		\$113,341.78	\$1,017,813.35
1-Aug-2037	\$6,216,291.21	\$780,114.92	\$113,341.78	\$893,456.70	\$20,989.22	\$914,445.91	
1-Feb-2038			\$100,703.92	\$100,703.92		\$100,703.92	\$1,015,149.83
1-Aug-2038	\$5,410,900.57	\$805,390.64	\$100,703.92	\$906,094.56	\$18,648.87	\$924,743.43	
1-Feb-2039			\$87,656.59	\$87,656.59		\$87,656.59	\$1,012,400.02
1-Aug-2039	\$4,579,415.28	\$831,485.30	\$87,656.59	\$919,141.89	\$16,232.70	\$935,374.59	
1-Feb-2040			\$74,186.53	\$74,186.53		\$74,186.53	\$1,009,561.12
1-Aug-2040	\$3,720,989.86	\$858,425.42	\$74,186.53	\$932,611.95	\$13,738.25	\$946,350.19	
1-Feb-2041			\$60,280.04	\$60,280.04		\$60,280.04	\$1,006,630.23
1-Aug-2041	\$2,834,751.45	\$886,238.40	\$60,280.04	\$946,518.44	\$11,162.97	\$957,681.41	
1-Feb-2042			\$45,922.97	\$45,922.97		\$45,922.97	\$1,003,604.38
1-Aug-2042	\$1,919,798.92	\$914,952.53	\$45,922.97	\$960,875.50	\$8,504.25	\$969,379.76	
1-Feb-2043			\$31,100.74	\$31,100.74		\$31,100.74	\$1,000,480.50
1-Aug-2043	\$975,201.93	\$944,596.99	\$31,100.74	\$975,697.73	\$5,759.40	\$981,457.13	
1-Feb-2044			\$15,798.27	\$15,798.27		\$15,798.27	\$997,255.40
1-Aug-2044		\$975,201.93	\$15,798.27	\$991,000.20	\$2,925.61	\$993,925.81	\$993,925.81
Total Payments:		\$17,511,218.00	\$9,752,989.00	\$27,264,207.00	\$907,432.34	\$28,171,639.34	\$28,171,639.34

CITY OF DEL MAR RESOLUTION 2016-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DEL MAR AUTHORIZING THE INCURRING OF AN OBLIGATION, PAYABLE TO THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, FOR THE FINANCING OF A CAPITAL IMPROVEMENT PROJECT AND APPROVING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the California Infrastructure and Economic Development Bank (“IBank”) administers a financing program to assist local governments with the financing eligible projects in accordance with in Section 63000 *et seq.* of the California Government Code (the “Act”); and

WHEREAS, IBank created the Infrastructure State Revolving Fund Program (“ISRF Program”) pursuant to the provisions of the Act; and,

WHEREAS, the IBank’s Criteria, Priorities and Guidelines for the Selection of Projects for Financing under the ISRF Program, dated August 25, 2015 and as may thereafter be amended from time to time (the “Criteria”), establishes requirements for the financing of projects under the ISRF Program; and

WHEREAS, the City of Del Mar (“Borrower”), in connection with its application to IBank for the financing of the costs of renovation, construction and reconstruction of the Borrower’s city hall and town hall (“Project”) in an amount not to exceed \$16,161,616; and 161

WHEREAS, the Act requires the Borrower to make, by resolution of its governing body, certain findings prior to a project being selected for financing by IBank; and

WHEREAS, the Borrower reasonably expects that a financing arrangement (“Obligation”) in an amount not expected to exceed \$16,161,616 will be entered into under and memorialized by one or more financing agreements and related documents (collectively, the “Financing Agreements”) and that certain proceeds of such Obligation will be used to reimburse the Borrower for Project expenditures incurred or paid prior to incurring the Obligation;

WHEREAS, the Borrower acknowledges that IBank funds the ISRF Program, in part, with the proceeds of tax exempt bonds and, as such, has certain compliance obligations that may require it to have the Borrower enter into new financing agreements to replace the Financing Agreements (the “Replacement Agreements”) on terms and conditions substantially identical to the original Financing Agreements; and

WHEREAS, it is anticipated that the Financing Agreements will include provisions that contemplate a possible substitution of the leased asset, such that upon completion of the Project, IBank would consider substituting the completed Project, in place of the City’s Powerhouse Community Center, as the leased asset for purposes of the Financing Agreements.

NOW, THEREFORE, be it resolved by the City Council of the City of Del Mar (the "GOVERNING BODY") as follows:

Section 1. The City Council hereby approves and affirms the actions of the Borrower's representatives heretofore taken in connection with submitting an application for financing for the Project; and in connection therewith finds and certifies that:

- a. The Project facilitates effective and efficient use of existing and future public resources so as to promote both economic development and conservation of natural resources.
- b. The Project develops and enhances public infrastructure in a manner that will attract, create, and sustain long-term employment opportunities;
- c. That the Project is consistent with the General Plan of the City of Del Mar, and any elements of the General Plan of San Diego County that are applicable to the Borrower and the Project;
- d. The proposed financing is appropriate for the Project;
- e. The Project is consistent with the IBank's Criteria for the ISRF Program; and
- f. It has considered (i) the impact of the Project on California's land resources and the need to preserve such resources; (ii) whether the Project is economically or socially desirable; and (iii) whether the project is consistent with, and in furtherance of the State Environmental Goals and Policy Report (as defined in the Criteria).

Section 2. The Borrower hereby declares its official intent to use certain proceeds of the Obligation to reimburse itself for expenditures reimbursable with the proceeds of tax exempt bonds or other tax exempt securities under the provisions of the Internal Revenue Code of 1986, as amended, and those U.S. Treasury Regulations implementing such provisions (collectively, "Federal Tax Law"). This declaration is made solely for purposes of establishing compliance with applicable requirements of Federal Tax Law. This declaration does not bind the Borrower to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 3. The City Manager and his or her designee is hereby authorized and directed to act on behalf of the City of Del Mar in all matters pertaining to its application for financing from IBank, and the execution of related financial documents including, but not limited to, the authority to make payments from general fund revenues and any other legally available sources of funds for the repayment of the Obligation and to provide covenants relating to the Obligation and as to any other security or collateral securing the Obligation.

Section 4. If the Obligation is approved by IBank, the City Manager and his or her designee is authorized to negotiate, enter into and sign financing documents and any amendments thereto, including, but not limited to the Financing Agreements and the Replacement Agreements, with IBank for the purpose of financing the Obligation.

Section 5. All actions heretofore taken by the officers and employees of Borrower with respect to the consideration and approval of the Obligation and the Financing Agreements are hereby approved, confirmed and ratified.

Section 6. This resolution shall become effective immediately upon adoption.

PASSED AND ADOPTED by the City Council of the City of Del Mar at a regular meeting held this 21st day of March, 2016.

SHERRYL PARKS, MAYOR
City of Del Mar

APPROVED AS TO FORM:

Leslie E. Devaney, City Attorney
City of Del Mar

ATTEST AND CERTIFICATION:
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO
CITY OF DEL MAR

I, Connie Smith-Ball, Deputy City Clerk of the City of Del Mar, California, DO HEREBY CERTIFY, that the foregoing is a true and correct copy of Resolution No. 2016-____, adopted by the City Council of the City of Del Mar, California, at a Regular Meeting held the 21st day of March, 2016, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Connie Smith-Ball, Deputy City Clerk
City of Del Mar

CITY OF DEL MAR RESOLUTION 2016-____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DEL MAR AUTHORIZING THE INCURRING OF AN OBLIGATION, PAYABLE TO THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, FOR THE FINANCING OF A CAPITAL IMPROVEMENT PROJECT AND APPROVING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the California Infrastructure and Economic Development Bank (“IBank”) administers a financing program to assist local governments with the financing eligible projects in accordance with in Section 63000 *et seq.* of the California Government Code (the “Act”); and

WHEREAS, IBank created the Infrastructure State Revolving Fund Program (“ISRF Program”) pursuant to the provisions of the Act; and,

WHEREAS, the IBank’s Criteria, Priorities and Guidelines for the Selection of Projects for Financing under the ISRF Program, dated August 25, 2015 and as may thereafter be amended from time to time (the “Criteria”), establishes requirements for the financing of projects under the ISRF Program; and

WHEREAS, the City of Del Mar (“Borrower”), in connection with its application to IBank for the financing of the costs of renovation, construction and reconstruction of the Borrower’s city hall and town hall (“Project”) in an amount not to exceed \$17,511,218; and 161

WHEREAS, the Act requires the Borrower to make, by resolution of its governing body, certain findings prior to a project being selected for financing by IBank; and

WHEREAS, the Borrower reasonably expects that a financing arrangement (“Obligation”) in an amount not expected to exceed \$17,511,218 will be entered into under and memorialized by one or more financing agreements and related documents (collectively, the “Financing Agreements”) and that certain proceeds of such Obligation will be used to reimburse the Borrower for Project expenditures incurred or paid prior to incurring the Obligation;

WHEREAS, the Borrower acknowledges that IBank funds the ISRF Program, in part, with the proceeds of tax exempt bonds and, as such, has certain compliance obligations that may require it to have the Borrower enter into new financing agreements to replace the Financing Agreements (the “Replacement Agreements”) on terms and conditions substantially identical to the original Financing Agreements; and

WHEREAS, it is anticipated that the Financing Agreements will include provisions that contemplate a possible substitution of the leased asset, such that upon completion of the Project, IBank would consider substituting the completed Project, in place of the City’s Powerhouse Community Center, as the leased asset for purposes of the Financing Agreements.

NOW, THEREFORE, be it resolved by the City Council of the City of Del Mar (the "GOVERNING BODY") as follows:

Section 1. The City Council hereby approves and affirms the actions of the Borrower's representatives heretofore taken in connection with submitting an application for financing for the Project; and in connection therewith finds and certifies that:

- a. The Project facilitates effective and efficient use of existing and future public resources so as to promote both economic development and conservation of natural resources.
- b. The Project develops and enhances public infrastructure in a manner that will attract, create, and sustain long-term employment opportunities;
- c. That the Project is consistent with the General Plan of the City of Del Mar, and any elements of the General Plan of San Diego County that are applicable to the Borrower and the Project;
- d. The proposed financing is appropriate for the Project;
- e. The Project is consistent with the IBank's Criteria for the ISRF Program; and
- f. It has considered (i) the impact of the Project on California's land resources and the need to preserve such resources; (ii) whether the Project is economically or socially desirable; and (iii) whether the project is consistent with, and in furtherance of the State Environmental Goals and Policy Report (as defined in the Criteria).

Section 2. The Borrower hereby declares its official intent to use certain proceeds of the Obligation to reimburse itself for expenditures reimbursable with the proceeds of tax exempt bonds or other tax exempt securities under the provisions of the Internal Revenue Code of 1986, as amended, and those U.S. Treasury Regulations implementing such provisions (collectively, "Federal Tax Law"). This declaration is made solely for purposes of establishing compliance with applicable requirements of Federal Tax Law. This declaration does not bind the Borrower to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 3. The City Manager and his or her designee is hereby authorized and directed to act on behalf of the City of Del Mar in all matters pertaining to its application for financing from IBank, and the execution of related financial documents including, but not limited to, the authority to make payments from general fund revenues and any other legally available sources of funds for the repayment of the Obligation and to provide covenants relating to the Obligation and as to any other security or collateral securing the Obligation.

Section 4. If the Obligation is approved by IBank, the City Manager and his or her designee is authorized to negotiate, enter into and sign financing documents and any amendments thereto, including, but not limited to the Financing Agreements and the Replacement Agreements, with IBank for the purpose of financing the Obligation.

Section 5. All actions heretofore taken by the officers and employees of Borrower with respect to the consideration and approval of the Obligation and the Financing Agreements are hereby approved, confirmed and ratified.

Section 6. This resolution shall become effective immediately upon adoption.

PASSED AND ADOPTED by the City Council of the City of Del Mar at a regular meeting held this 21st day of March, 2016.

SHERRYL PARKS, MAYOR
City of Del Mar

APPROVED AS TO FORM:

Leslie E. Devaney, City Attorney
City of Del Mar

ATTEST AND CERTIFICATION:
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO
CITY OF DEL MAR

I, Connie Smith-Ball, Deputy City Clerk of the City of Del Mar, California, DO HEREBY CERTIFY, that the foregoing is a true and correct copy of Resolution No. 2016-____, adopted by the City Council of the City of Del Mar, California, at a Regular Meeting held the 21st day of March, 2016, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Connie Smith-Ball, Deputy City Clerk
City of Del Mar