



**City of Santa Ana**  
**20 Civic Center Plaza, Santa Ana, CA 92701**  
**Staff Report**  
**June 4, 2024**

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**TOPIC:** Water Revenue Bonds

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**AGENDA TITLE**

Resolution of the City of Santa Ana Authorizing the Issuance and Sale of Water Revenue Bonds, Series 2024

**RECOMMENDED ACTION**

1. Adopt a resolution authorizing the Issuance of the Santa Ana Financing Authority's Water of Santa Ana Water Revenue Bonds, Series 2024 ("the Bonds")

RESOLUTION NO. 2024-XXX entitled RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA ANA AUTHORIZING THE EXECUTION AND DELIVERY BY THE CITY OF A MASTER INSTALLMENT PURCHASE AGREEMENT, A FIRST SUPPLEMENT TO MASTER INSTALLMENT PURCHASE AGREEMENT, AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE AND A PURCHASE CONTRACT IN CONNECTION WITH THE ISSUANCE OF SANTA ANA PUBLIC FINANCING AUTHORITY WATER REVENUE BONDS, SERIES 2024, APPROVING THE ISSUANCE OF SUCH BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$47,000,000, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH BONDS, AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS.

2. Authorize the execution of and approving a form of the Master Installment Purchase Agreement, First Supplement to the Master Installment Purchase Agreement, Escrow Agreement, Bond Purchase Agreement, Indenture of Trust, and Preliminary Official Statement.

**GOVERNMENT CODE §84308 APPLIES:** No

## **EXECUTIVE SUMMARY**

The recommendation is the City Council's final action to approve the sale of Water Revenue Bonds. The financing team is on track to price and close the bonds in late June 2024.

The Bonds are being issued to provide funds for the following:

- Refund in full the Santa Ana Financing Authority's Water Revenue Refunding Bonds, Series 2014, of which \$8,905,000 is currently outstanding.
- Finance a portion of the design, acquisition, and construction of certain improvements to the water system of the City.
- Pay certain costs of issuance of the Bonds.

## **DISCUSSION**

### **Background**

By financing \$40 million of water improvements with the issuance of Water Revenue Bonds ("2024 Water Revenue Bonds"), aging infrastructure can be improved and water meters can be installed sooner. In order to achieve the financing, the City would enter into an Installment Purchase Agreement with the Authority, and the Authority would issue the 2024 Water Revenue Bonds not to exceed a par amount of \$47,000,000. Debt service will be repaid by the City from net revenues of the City's water system.

Staff has identified \$40 million in water improvements that are high priority and that can be implemented within the next three years.

<b>2024 Projects</b>	<b>Estimated Cost</b>
Advanced Water Meters	\$15,000,000
Walnut Pump Station Improvements	5,000,000
Washington Well Improvements	6,000,000
Garth Pump Station Improvements	5,000,000
Lg. Water Services Vault & Meter Apparatus Imp.	8,000,000
Citywide Facilities Improvements	<u>1,000,000</u>
<b>Total</b>	<b>\$40,000,000</b>

The documents approved with this action will allow the Series 2014 Bonds to be refunded at a current interest rate of approximately 3.00%. The reduction in interest rate will reduce debt service payments by an estimated \$659,000 and generate approximately \$582,000 in net present value savings. The net present value savings represents about 6.5% of the amount of debt being refinanced. This compares favorably to the City's Debt Management Policy and the Government Financing Officers Association (GFOA) target of net present value savings of 3% on municipal refundings.

The proposed resolutions approve all documents and actions needed to authorize the delivery and sale of the 2024 Water Revenue Refunding Bonds, including the following form of financing documents together with any changes or additions deemed advisable by the City Attorney or Bond Counsel (BBK) and approved by the City Manager,

Assistant City Manager, City Treasurer, or the Executive Director of the Finance and Management Services Agency (a “Designated Officer”).

- 1) **Master Installment Purchase Agreement** between the City and the Authority under which the Authority agrees to provide financing for the water improvements, and the City agrees to purchase the completed improvements, in consideration of the payment by the City of semiannual installment payments, to be made from the net revenues of the City’s water system.
- 2) **First Supplement to Master Installment Purchase Agreement** between the City and the Authority to create the payment obligation for this series of bonds and assign the Authority’s rights and duties to the Trustee (US Bank) to receive installments and make payments.
- 3) **Escrow Agreement** among the City and the Trustee (Bank of New York Mellon Trust Company) to establish an escrow fund to facilitate payment of the 2014 bonds.
- 4) **Bond Purchase Agreement** among the City, the Authority, and the underwriter (Ramirez and Co., Inc.), pursuant to the terms and provisions of which the 2024 Water Revenue Bonds will be sold through a negotiated method of sale, such terms and provisions including a true interest cost of the 2024 Water Revenue Bonds not to exceed 4.75% and the underwriter’s discount not to exceed 0.34% of the par amount of the 2024 Water Revenue Bonds.
- 5) **Indenture of Trust** between the Authority and the Trustee (US Bank) which sets forth the material terms, covenants, and provisions relating to the 2024 Water Revenue Bonds.
- 6) **Preliminary Official Statement** that will be distributed to prospective purchasers of the 2024 Water Revenue Bonds that must contain all facts material to the 2024 Water Revenue Bonds and the City’s water system and must not omit any material facts. The City Council has an obligation to ensure that the Preliminary Official Statement includes all information that would be material to a prospective investor’s decision whether to purchase the 2024 Water Revenue Bonds. While the City’s legal counsel, consultants, and the underwriter have participated in preparing the document, the City is ultimately responsible for ensuring that the Preliminary Official Statement is accurate, contains no misleading information, and does not omit any information necessary to make Preliminary Official Statement not misleading to investors.
- 7) **Continuing Disclosure Certificate** included as Appendix E of the Preliminary Official Statement that commits the City to providing certain annual reports and

notices of listed events to investors in order to allow the underwriter to comply with federal securities laws.

If the proposed Resolutions are adopted by the City Council and the Authority Board, the sale of the 2024 Water Revenue Bonds is expected to be completed on or about the week of June 10, 2024, with a delivery/closing date on or about the week of June 24, 2024, at which time bond proceeds will be available for the water improvements.

### **FISCAL IMPACT**

In accordance with California Government Code Section 5852.1, good faith estimates are provided below with respect to the 2024 Water Revenue Bonds.

The 2024 Water Revenue Bonds are expected to be sold with a premium in order to generate \$40 million in project proceeds, \$9 million to refinance the Series 2014 Bonds and \$348,992 in finance charges. The true interest cost for the 2024 Water Revenue Bonds is estimated to be approximately 3.99%. The final maturity of the bonds will be in 2049, and the total debt service over the 25-year term is estimated to be \$78.4 million, with average annual debt service estimated to be \$3.1 million.

The Discussion section of this report includes the estimated long-term fiscal impact of the proposed refinancing.

Debt service on the refunding bonds will begin in Fiscal Year 2024-25.

### **EXHIBIT(S)**

1. City Council Resolution No. 2024-XXX
2. Master Installment Purchase Agreement
3. First Supplement to Master Installment Purchase Agreement
4. Escrow Agreement
5. Bond Purchase Agreement
6. Indenture of Trust
7. Preliminary Official Statement

Submitted By: Kathryn Downs, FMSA Executive Director

Approved By: Alvaro Nuñez, Acting City Manager