



November 15, 2018

AGENDA

CITY OF CITRUS HEIGHTS CITY COUNCIL

6:00 PM REGULAR MEETING

City Hall Council Chambers

6360 Fountain Square Drive, Citrus Heights, CA

11-15-18 Agenda Packet

Documents:

[11-15-18 AGENDA PACKET P.PDF](#)

CALL REGULAR MEETING TO ORDER

1. Flag Salute
2. Roll Call: Council Members: Daniels, Fox, Slowey, Bruins, Miller
3. Video Statement

PUBLIC COMMENT

Under Government Code Section 54954.3, members of the audience may address the Council on any item of interest to the public and within the Council's purview, or on any Agenda Item before or during the Council's consideration of the Item. If you wish to address the Council during the meeting, please fill out a Speaker Identification Sheet and give it to the City Clerk. When you are called upon to speak, step forward to the podium and state your name for the record. Normally, speakers are limited to five minutes each with 30 minutes being allowed for all comments. Any public comments beyond the initial 30 minutes may be heard at the conclusion of the agenda. The Mayor has the discretion to lengthen or shorten the allotted times.

REGULAR CALENDAR

3. SUBJECT: Revolving Line Of Credit
STAFF REPORT: R. Rivera
RECOMMENDATION: Adopt Resolution No. 2018-____; A Resolution of the City Council of the City of Citrus Heights Authorizing the Execution and Delivery of a Site Lease, a Sublease and a Credit Agreement and Authorizing Certain Actions in Connection therewith in Order to Finance Certain Capital Improvements and Operating Expenditures

CLOSED SESSION

4. CONFERENCE WITH LABOR NEGOTIATORS
Pursuant to Government Code Section 54957.6
Agency Designated Representative: Christopher W. Boyd, City Manager
Employee Organizations: Citrus Heights Police Officers Association; Citrus Heights Police Employees Association; and Unrepresented Employees (All)
5. Pursuant To Government Code Section 54957
Public Employee Evaluation: City Attorney

ADJOURNMENT

**CITY OF CITRUS HEIGHTS
CITY COUNCIL
Regular Meeting of Thursday, November 15, 2018
Adjourned from November 8, 2018
City Hall Council Chambers
6360 Fountain Square Dr., Citrus Heights, CA
Regular Meeting 6:00 p.m.**

PLEASE NOTE: The Council may take up any agenda item at any time, regardless of the order listed. Action may be taken on any item on the agenda. The City Council has established a procedure for addressing the Council. Speaker Identification Sheets are provided on the table inside the Council Chambers. If you wish to address the Council during the meeting, please complete a Speaker Identification Sheet and give it to the City Clerk. So that everyone who wishes may have an opportunity to speak, there is a five-minute maximum time limit when addressing the Council. Audio/Visual presentation material must be provided to the City Clerk's Office at least 48 hours prior to the meeting.

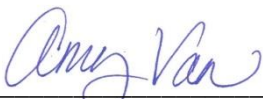
Any writings or documents provided to a majority of the City Council regarding any item on this agenda will be made available for public inspection at City Hall located at 6360 Fountain Square Drive, Citrus Heights during normal business hours. Email subscriptions of the agenda are available online by signing up with the City's Notify Me service.

The Agenda for this meeting of the City Council for the City of Citrus Heights was posted in the following listed sites before the close of business at 5:00 p.m. on the Friday preceding the meeting.

1. City of Citrus Heights, 6360 Fountain Square Drive, Citrus Heights, CA
2. Rusch Park Community Center, 7801 Auburn Boulevard, Citrus Heights, CA
3. Sacramento County Library, Sylvan Oaks Branch, 6700 Auburn Blvd., Citrus Heights, CA

If you need a disability-related modification or accommodation, including auxiliary aids or services, to participate in this meeting, please contact the City Clerk's Office 916-725-2448, 6360 Fountain Square Drive at least 48 hours prior to the meeting. TDD: California Relay Service 7-1-1.

November 9, 2018



Amy Van, City Clerk

Please turn off all cellular phones and pagers while the City Council meeting is in session.

REGULAR MEETING 6:00 PM
--

CALL REGULAR MEETING TO ORDER

1. Flag Salute
2. Roll Call: Council Members: Daniels, Fox, Slowey, Bruins, Miller

PUBLIC COMMENT

Under Government Code Section 54954.3, members of the audience may address the Council on any item of interest to the public and within the Council's purview, or on any Agenda Item before or during the Council's consideration of the Item. If you wish to address the Council during the meeting, please fill out a Speaker Identification Sheet and give it to the City Clerk. When you are called upon to speak, step forward to the podium and state your name for the record. Normally, speakers are limited to five minutes each with 30 minutes being allowed for all comments. Any public comments beyond the initial 30 minutes may be heard at the conclusion of the agenda. The Mayor has the discretion to lengthen or shorten the allotted times.

REGULAR CALENDAR

3. **SUBJECT:** Revolving Line of Credit
STAFF REPORT: R. Rivera
RECOMMENDATION: Adopt Resolution No. 2018-____; A Resolution of the City Council of the City of Citrus Heights Authorizing the Execution and Delivery of a Site Lease, a Sublease and a Credit Agreement and Authorizing Certain Actions in Connection therewith in Order to Finance Certain Capital Improvements and Operating Expenditures

CLOSED SESSION

4. CONFERENCE WITH LABOR NEGOTIATORS
Pursuant to Government Code Section 54957.6
Agency Designated Representative: Christopher W. Boyd, City Manager
Employee Organizations: Citrus Heights Police Officers Association; Citrus Heights Police Employees Association; and Unrepresented Employees (All)
5. Pursuant to Government Code Section 54957
Public Employee Evaluation: City Attorney

ADJOURNMENT



CITY OF CITRUS HEIGHTS

CITY COUNCIL STAFF REPORT MEMORANDUM

DATE: November 15, 2018

TO: Mayor and City Council Members
Christopher W. Boyd, City Manager

FROM: Ronda Rivera, Assistant City Manager

SUBJECT: **Revolving Line of Credit**

Summary and Recommendation

Staff recommends that the City Council adopt Resolution 2018-__ of the City Council of the City of Citrus Heights Authorizing the Execution and Delivery of a Site Lease, a Sublease and a Credit Agreement and Authorizing Certain Actions in Connection therewith in Order to Finance Certain Capital Improvements and Operating Expenditures.

Fiscal Impact

Authorization to execute the requested documents will provide funding to meet the City's anticipated operating and capital funding needs for the next four fiscal years until property tax revenues become available.

Background and Analysis

As required by state law, the City's incorporation obligated the City to pay certain amounts to the County. The City and the County later negotiated the amount of this obligation to allow the County to retain 100 percent of the City's share of property tax revenue for a twenty-five and one-half year period (January 1997 – June 30, 2022). This obligation became known as the Revenue Neutrality Agreement. For the current fiscal year, the City's property tax allocation that will be retained by the County is estimated to be \$5.6 million.

During the recent budget process and update of the City's Ten Year Financial Model, it was determined that additional funding for anticipated operating and capital costs would be required over the next four year period until the City begins to receive its property tax revenue allocation in Fiscal Year 2022-23. Over the past several months, staff has worked with the City's municipal advisor (Fieldman Rolapp) to identify possible short-term funding alternatives. The first alternative included a discussion with Sacramento County regarding the possibility of amending the Revenue Neutrality Agreement to provide a portion of the City's property tax revenue in

advance of Fiscal Year 2022-23. County staff subsequently indicated that they were unable to make any modifications to the agreement prior to the expiration date.

As the City's funding needs are short-term (four years), the second most cost effective alternative identified is the utilization of a revolving line of credit. The proposed line of credit has been structured as a site lease with the Community Center building pledged as collateral. The site lease is being amortized over a twenty-year period, although it will be repaid in full within six years (two years after the City begins receiving property tax revenue), at which point the site lease will be terminated and the Community Center will no longer be pledged as collateral. The City will be able to draw on the line of credit when capital and operating needs arise and will be making interest payments on the drawn amounts every six months on March 1 and September 1, beginning in March 2019. Principal will be due on September 1, 2024; however, the City has the option to prepay all or a portion of the line of credit it has drawn starting on March 1, 2021 at par. The line of credit has both a tax-exempt and a taxable component. The City was able to take advantage of favorable interest rates and locked in a tax-exempt interest rate of 4.40 percent and a taxable interest rate of 6.09 percent with Western Alliance Bank. The City was also able to agree with the bank on a separate, lower annual interest rate of 0.25% on any undrawn amount that will be payable quarterly. Since locking in these rates, interest rates have increased by more than 20 basis points.

The necessary documents to initiate the revolving line of credit have been reviewed by the City Attorney and bond counsel. Once execution of these documents is authorized by the City Council, the financing process will be completed within approximately two weeks.

Attachments

1. Resolution 2018-__ of the City Council of the City of Citrus Heights Authorizing the Execution and Delivery of a Site Lease, a Sublease and a Credit Agreement and Authorizing Certain Actions in Connection therewith in Order to Finance Certain Capital Improvements and Operating Expenditures
 - a. Exhibit A Good Faith Estimate of Costs

Attachments 2-5 are available by contacting the Citrus Heights City Clerk's Office

2. Site Lease
3. Sublease
4. Credit Agreement
5. Assignment Agreement

RESOLUTION NO. 2018-___

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CITRUS HEIGHTS AUTHORIZING THE EXECUTION AND DELIVERY OF A SITE LEASE, A SUBLEASE AND A CREDIT AGREEMENT AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH IN ORDER TO FINANCE CERTAIN CAPITAL IMPROVEMENTS AND OPERATING EXPENDITURES

WHEREAS, Western Alliance Equipment Finance, Inc. is an Arizona corporation (the “Corporation”) with the authority to assist the City of Citrus Heights (the “City”) in financing capital improvements and operating expenditures; and

WHEREAS, the Corporation and the City desire to proceed with a transaction to enable the City to finance certain capital improvements and operating expenditures (the “Project”); and

WHEREAS, to facilitate the financing of the Project the City and the Corporation intend to enter into that certain Site Lease (the “Site Lease”) and that certain Facilities Sublease (the “Sublease”), the forms of which have been presented to the City Council at the meeting at which this Resolution has been adopted, pursuant to which Site Lease the Corporation will agree to lease from the City certain real property and the improvements located thereon, more commonly known as the City’s Community Center (the “Leased Premises”), and pursuant to which Sublease the City will agree to sublease the Leased Premises from the Corporation and to pay certain lease payments in connection therewith to the Corporation; and

WHEREAS, the Corporation and Western Alliance Business Trust, a wholly owned affiliate of Western Alliance Bank, an Arizona corporation (the “Assignee”), will enter into an Assignment Agreement by and between the Corporation and the Assignee (the “Assignment Agreement”), the form of which has been presented to the City Council at the meeting at which this Resolution has been adopted, pursuant to which the Corporation will assign certain of its rights in the Site Lease and the Sublease to the Assignee, and the Assignee will, in consideration of such assignment, pay an amount not to exceed the principal components of the lease payments to be made by the City pursuant to the Sublease which will be applied by the City to pay the costs of the Project and the costs of issuance related to the transaction; and

WHEREAS, the City Council desires to consent to the terms of the Assignment Agreement; and

WHEREAS, the City desires to enter into that certain Revolving Credit Agreement (the “Credit Agreement”) with the Assignee, which Credit Agreement contains certain additional provisions in connection with the financing of the Project; and

WHEREAS, in accordance with Government Code Section 5852.1, there has been presented to this City Council and disclosed to the public certain good faith estimates provided to the City by its municipal advisor, Fieldman, Rolapp & Associates, Inc. (the “Municipal Advisor”), with respect to the line of credit, a copy of which good faith estimates is attached as Exhibit A hereto; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing of the Project authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the City Council of the City of Citrus Heights that:

Section 1. Each of the foregoing recitals is true and correct. The City Council finds and determines that using the powers of the Corporation to assist in the financing of the Project will result in significant public benefits to the citizens of the City. The City Council hereby approves the financing of the Project as described in this Resolution.

Section 2. The forms of the Site Lease, the Sublease, the Assignment Agreement and the Credit Agreement (together, the “Agreements”) presented at this meeting are hereby approved. Each of the Mayor of the City Council, the City Manager, the Assistant City Manager and the Finance Director, or their designees (collectively, the “Authorized Officers”), each acting alone, is hereby authorized for and in the name of the City to execute, and the City Clerk is authorized to attest, the Agreements, in substantially the forms hereby approved, with such additions thereto and changes therein as the Authorized Officer or Authorized Officers, in consultation with the City Attorney, executing the same deem to be necessary, including, but not limited to, additions and changes thereto as are required by the Assignee as a condition to its entering into and performing its obligations under the Assignment Agreement; provided, however, that the terms of the Sublease, as executed, shall comply with the limitations set forth in Section 3 below. Approval of such changes shall be conclusively evidenced by the execution and delivery thereof by any one of the Authorized Officers. Each of the Authorized Officers is further authorized to execute, acknowledge and deliver any and all documents required to consummate the transactions contemplated by the Agreements.

Section 3. The term of the Sublease shall end not later than September 1, 2038, except as otherwise provided therein regarding an extension of the term. Base Rental Payments (as defined in the Sublease) to be made by the City under the Sublease shall not exceed \$1,250,000 in any year and the principal component of Base Rental Payments available to be drawn shall not exceed \$12,000,000 in the aggregate. The City Council hereby states that the Base Rental Payments and the Additional Rental (as defined in the Sublease) to be paid by the City under the Sublease in each year shall not exceed the contemporaneous consideration received by the City for its use and occupancy of the Leased Premises in such year.

Section 4. The City hereby consents to the assignment by the Corporation to the Assignee of certain of the Corporation’s rights under the Site Lease and the Sublease, including the right to receive the Base Rental Payments and Additional Rental payments due to the Assignee under the Sublease, and hereby approves the form of the Assignment Agreement by and between the Corporation and the Assignee. The consideration paid by the Assignee pursuant to the Assignment Agreement shall be in an amount equal to the principal components available to be drawn and due under the Sublease and will be applied to finance the Project and to pay costs incurred by the City in connection with the execution and delivery of the Sublease.

Section 5. Each of the Authorized Officers and the other officers of the City, are hereby authorized to take all actions and to execute and deliver any and all documents and agreements which are necessary and advisable in order to consummate the financing of the Project and otherwise effectuate the purposes of this Resolution.

Section 6. All actions previously taken by any officer of the City with respect to the execution and delivery of the Site Lease, the Sublease and the financing of the Project are hereby approved, confirmed and ratified.

Section 7. In accordance with Government Code section 5852.1, good faith estimates of the following have been obtained from the Municipal Advisor and presented at the meeting at which this resolution is adopted: (a) the true interest cost of the line of credit, (b) the sum of all fees and charges paid to third parties with respect to the line of credit, including an estimate of the costs of issuance, (c) the amount of proceeds of the line of credit expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the line of credit, and (d) the sum total of all debt service payments on the line of credit calculated through the term of the Sublease. The City Council finds and determines that the provisions of Government Code Section 5852.1 have been satisfied with respect to the authorization of the line of credit.

Section 8. This Resolution shall take effect from and after its date of adoption.

PASSED AND ADOPTED by the City Council of the City of Citrus Heights, California, this 15th day of November, 2018.

AYES: **Council Members:**
NOES: **Council Members:**
ABSTAIN: **Council Members:**
ABSENT: **Council Members:**

Steve Miller, Mayor

ATTEST:

Amy Van, City Clerk

)

)

)

)

Agenda Packet Page 9

EXHIBIT A

GOOD FAITH ESTIMATES

The good faith estimates for the line of credit set forth herein are provided in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the City by Fieldman, Rolapp & Associates, Inc., the City's municipal advisor, in conjunction with Western Alliance Bank as the line of credit provider.

Principal Amount. Based on the City's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the line of credit is an amount up to \$12,000,000 (the "Estimated Principal Amount"), consisting of up to \$4,500,000 in available Tax-Exempt Funds and up to \$7,500,000 in available Taxable Funds. Based on the Estimated Principal Amount, the following good faith estimates are provided:

a) True Interest Cost. Assuming all amounts are drawn on the first available date, the good faith estimate of the true interest cost of the line of credit, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received by the City, is 4.40% for the Tax-Exempt Funds and 6.09% for the Taxable Funds.

b) Finance Charge. Assuming all amounts are drawn on the first available date, the good faith estimate of the finance charge for the line of credit, which means the sum of all fees and charges paid to third parties, is \$133,336, of which \$50,001 is for costs of issuance to be paid from the proceeds of the Tax-Exempt Funds.

c) Amount of Proceeds to be Received. The good faith estimate of the amount of proceeds expected to be received by the City from the line of credit, less the finance charge set forth in (b) above, is \$11,949,999, consisting of \$4,449,999 in Tax-Exempt Funds and \$7,500,000 in Taxable Funds.

d) Total Payment Amount. Assuming all amounts are drawn on the first available date, the good faith estimate of the total payment amount, which means the sum total of all payments the City will make to pay principal and interest under the line of credit, calculated through the term of the Sublease, is \$21,007,345. Such amount does not account for any prepayments made by the City.