



TOWN OF APPLE VALLEY

TOWN COUNCIL STAFF REPORT

To: Honorable Mayor and Town Council **Date:** July 24, 2018
From: Douglas B. Robertson, Town Manager **Item No:** 10
 Kofi Antobam, Director of Finance
Subject: RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY AUTHORIZING THE EXECUTION AND DELIVERY OF TAX AND REVENUE ANTICIPATION NOTES

T.M. Approval: _____ **Budgeted Item:** Yes No N/A

RECOMMENDED ACTION:

Staff recommends that the Town Council adopt a Resolution 2018-41 authorizing the execution and delivery of a Tax-Exempt Tax and Revenue Anticipation Note and a Taxable Tax and Revenue Anticipation Note.

SUMMARY:

Given the Town's capital and cash flow needs over this fiscal year, staff is pursuing financing options in addition to the use of available cash and reserves to address these needs. Putting in place a 5-year revolving line of credit (RLC) with a reputable bank is one tool that will provide the Town with flexibility should the Town decide to draw on it. The adoption of the attached Resolution is the first of three approvals that will allow the Town to take advantage of a revolving line of credit.

First, pursuant to Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (the "Authorizing Law"), the Town of Apple Valley will issue to the Apple Valley Public Financing Authority (the "Authority") a tax-exempt tax and revenue anticipation note (the "Tax-Exempt Note") and a taxable tax and revenue anticipation note (the "Taxable Note") in a combined aggregate principal amount not to exceed \$10,000,000. The Tax-Exempt Note and the Taxable Note are general obligations of the Town payable from taxes, income, revenue, cash receipts and other moneys which are received or accrued by the Town for the fiscal year which commences on July 1, 2018 and which ends on June 30, 2019 and which are lawfully available for the payment of current expenses and other obligations of the Town.

After issuance of the Notes, the Authority will select a bank through a competitive process and enter into an RLC, the proceeds of which will be provided to the Town for any purpose permitted by the Authorizing Law. The Notes that are issued by the Town will secure the RLC between the Authority and the bank. Should Council approve the attached Resolution authorizing the issuance of the Notes, staff will come back for 2 more approvals—one to approve the bank selection and the next to approve the RLC documents.

DISCUSSION:

Pursuant to the Authorizing Law, the Notes will be issued in an aggregate principal amount not to exceed \$10,000,000 which, when added to the interest due, will not exceed 85 percent of the estimated amount of the then uncollected taxes, income, revenue, cash receipts, and other moneys of the Town which will be available for the payment of the principal and interest of the Notes.

The Notes will mature and be payable on October 1, 2019 and will accrue interest equal to the rate of interest on the RLC of the Authority (if drawn upon). Interest will not exceed the maximum rate permitted by law, which is 12%. The Notes shall be prepayable at par on any day on which the Authority notifies the Town that principal with respect to the Authority obligation secured by the Notes is due and payable.

The Notes are payable from taxes, income, revenue, cash receipts and other money which are received or accrued by the Town for the fiscal year which commences on July 1, 2018 and which ends on June 30, 2019 and which are lawfully available for the payment of current expenses and other obligations of the Town.

The obligation of the Town to make payments of principal and interest on the Notes is a general obligation of the Town and does not constitute a debt of the Town or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction; provided however the Notes do not constitute an obligation for which the Town is obligated or permitted to levy or pledge any form of taxation.

FISCAL IMPACT:

Based on market conditions as of July 11, 2018, and in accordance with California Government Code Section 5852.1, good faith estimates of the Notes are provided below.

True Interest Cost: The true interest cost of the Notes, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Notes, is estimated to be 2.37%.

Finance Charge: The finance charge of the Notes, which means the sum of all fees and charges paid to third parties (or costs associated with the Notes) is estimated to be \$170,500.

Amount of Proceeds to be Received: The amount of proceeds expected to be received by the Town for issuance of the Notes, less the finance charge of the Notes, as estimated above, and any reserves or capitalized interest paid or funded with the proceeds of the Notes, is estimated to be \$4,029,500.

Total Payment Amount: The total payment amount, which means the sum total of all payments the Town will make to pay debt service on the Notes, plus any finance charge for the Notes not paid with the proceeds of the Notes, calculated to the final maturity of the Notes is estimated to be \$4,480,656.

These estimates constitute good faith estimates only and are based on market conditions prevailing at the time of preparation of such estimates. The actual true interest cost, finance charge, amount of proceeds received and total payment amount may differ from such good faith estimates due to (a) the actual date of issuance of the Notes being different than the date assumed for purposes of such estimates, (b) the actual principal amount of the Notes being different than the principal amount assumed for purposes of such estimates, (c) the actual market interest rate at the time of issuance of the Notes being different than those estimated for purposes of such estimates, (d) other market conditions, or (f) alterations in the Town's financing plan, or a combination of such factors. Market interest rates are affected by economic and other factors beyond the control of the Town.

ATTACHMENT:

Attachment A: Resolution 2018-41

RESOLUTION NO. 2018-41

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA, AUTHORIZING THE EXECUTION AND DELIVERY OF TAX AND REVENUE ANTICIPATION NOTES

WHEREAS, the Town Council of the Town of Apple Valley (the “Town”) proposes to issue a tax-exempt tax and revenue anticipation note (the “Tax-Exempt Note”) and a taxable tax and revenue anticipation note (the “Taxable Note”) in a combined aggregate principal amount of not to exceed \$10,000,000, pursuant to Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code for the fiscal year ending June 30, 2019.

NOW, THEREFORE, THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall have the meanings herein specified.

“Authority” means the Apple Valley Public Financing Authority.

“Authorizing Law” means Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the California Government Code.

“Notes” means the Taxable Note and the Tax-Exempt Note.

“Tax-Exempt Note” means the Town of Apple Valley 2018-19 Tax-Exempt Tax and Revenue Anticipation Note to be issued hereunder.

“Taxable Note” means the Town of Apple Valley 2018-19 Taxable Tax and Revenue Anticipation Note to be issued hereunder.

“Town” means the Town of Apple Valley.

Section 2. Issuance of the Notes; Amount; Terms; Interest Rate; Place of Payment.

Pursuant to the Authorizing Law, the Notes shall be issued in an aggregate principal amount of not to exceed \$10,000,000 which, when added to the interest payable thereon, will not exceed 85 percent of the estimated amount of the then uncollected taxes, income, revenue, cash receipts, and other moneys of the Town which will be available for the payment of the Notes and the interest thereon. A certificate of the Director of Finance certifying to such effect, in the form attached hereto as “Exhibit C,” shall be completed by the Director of Finance on or prior and as a condition to, the delivery of the Notes. The Tax-Exempt Note shall be designated “Town of Apple Valley 2018-19 Tax-Exempt Tax and Revenue Anticipation Note” and shall be dated the date of issuance thereof. The

Taxable Note shall be designated "Town of Apple Valley 2018-19 Taxable Tax and Revenue Anticipation Note" and shall be dated the date of issuance thereof. The Notes shall be payable at the office of the Town at such times and in such amounts as set forth in the Notes. The Notes shall mature and be payable no later than 15 months after their dates of issuance. The Notes shall bear interest equal to the rate of interest on the Authority bonds, notes or other obligations describe in Section 8 hereof but in no event at a rate in excess of the maximum rate permitted by law. The Notes shall be prepayable on any date at par, unless otherwise agreed to by the Authority in connection with the execution and delivery of the Authority's bonds, notes or other obligations described in Section 8 hereof.

The obligation of the Town to make payments of principal and interest on the Notes is a general obligation of the Town and does not constitute a debt of the Town or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction; provided however the Notes do not constitute an obligation for which the Town is obligated or permitted to levy or pledge any form of taxation.

Section 3. Execution of the Notes. The Mayor or the Mayor Pro Tem is hereby authorized and directed to sign the Notes, by such officer's manual, printed, lithographed or facsimile signatures.

Section 4. Form of the Notes. The Tax-Exempt Note shall be issued in substantially the form set forth in "Exhibit A" attached hereto and incorporated herein and may be issued in typewritten form. The Taxable Note shall be issued in substantially the form set forth in "Exhibit B" attached hereto and incorporated herein and may be issued in typewritten form.

Section 5. Notes Non-Callable. The Notes are not subject to call and redemption prior to the maturity date thereof, except as set forth in Section 2 hereof.

Section 6. Use of Note Proceeds. The Town may use the proceeds of the Notes for any purpose permitted by the Authorizing Law, including but not limited to capital expenditures.

Section 7. Security for the Notes. The Notes shall be payable from taxes, income, revenue, cash receipts and other money which are received or accrued by the Town for the fiscal year which commences on July 1, 2018 and which ends on June 30, 2019 and which are lawfully available for the payment of current expenses and other obligations of the Town.

Section 8. Sale of Notes. The Notes will be deposited with the Authority to secure bonds, notes or other evidence of indebtedness of the Authority the proceeds of which are provided to the Town for the purposes set forth in Section 6.

Section 9. Good Faith Estimates. The Town Council acknowledges that the good faith estimates required by Section 5852.1 of the California Government Code are disclosed in the staff report and are available to the public at the meeting at which this resolution is approved.

Section 10. Certified Copies. The Town Clerk shall provide a certified copy of this document to the Director of Finance who shall take such action as shall be necessary to assure compliance by the Town with the terms and conditions hereof.

Section 11. Effective Date. This resolution shall take effect immediately.

APPROVED and **ADOPTED** by the Town Council of the Town of Apple Valley this 24th day of July 2018.

Art Bishop, Mayor

ATTEST:

La Vonda M-Pearson, Town Clerk

TOWN OF APPLE VALLEY

2018-19 TAX-EXEMPT TAX AND REVENUE ANTICIPATION NOTE

FOR VALUE RECEIVED, the Town of Apple Valley acknowledges itself indebted to and promises to pay to the Apple Valley Public Financing Authority (the "Authority") ___ Million Dollars (\$_____) in lawful money of the United States of America, on October 1, 2019, together with interest thereon at the offices of the Town in like lawful money from the date hereof until payment in full of said principal sum. The principal amount of this Note, when combined with the principal amount of the 2018-19 Taxable Tax and Revenue Anticipation Note, shall not exceed \$10,000,000. Interest on the Note shall be determined on a daily basis and shall be a rate when multiplied by the principal amount of the Note outstanding on such day will be equal to interest accruing with respect to the Authority obligation secured by the Note outstanding on such day; provided however, that in the event that the Authority obligation secured by the Note has a principal amount outstanding of \$0 on any day, the interest rate on the Note shall be 0% for such day. Interest on the Note shall be payable on any date on which interest is payable with respect to the Authority obligation secured by the Note. The Note shall be prepayable in whole or in part on any day on which the Authority notifies the Town that principal with respect to the Authority obligation secured by the Note is due and payable.

It is hereby certified, recited and declared that this Note is issued by authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (the "Authorizing Act"), and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the Town, does not exceed any limit prescribed by the Constitution or laws of the State of California.

The proceeds of the Note will be used for any purpose permitted by the Authorizing Act, including but not limited to capital expenditures.

The Note shall be payable from taxes, income, revenue, cash receipts and other moneys which are received or accrued by the Town for the fiscal year which commenced on July 1, 2018 and which ends on June 30, 2019 and which are lawfully available for the payment of current expenses and other obligations of the Town. The obligation of the Town to make payments of principal and interest on the Note is a general obligation of the Town and does not constitute a debt of the Town or of the State of California or of any

political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction; provided however the Note does not constitute an obligation for which the Town is obligated or permitted to levy or pledge any form of taxation.

IN WITNESS WHEREOF, the Town of Apple Valley has caused this Note to be executed by the manual or facsimile signature of its Mayor or Vice Mayor and the Town Attorney all as of the ____ day of July, 2018.

TOWN OF APPLE VALLEY

By: _____
Mayor

APPROVED AS TO FORM

By: _____
Town Attorney

TOWN OF APPLE VALLEY

2018-19 TAXABLE TAX AND REVENUE ANTICIPATION NOTE

FOR VALUE RECEIVED, the Town of Apple Valley acknowledges itself indebted to and promises to pay to the Apple Valley Public Financing Authority (the "Authority") ___ Million Dollars (\$_____) in lawful money of the United States of America, on October 1, 2019, together with interest thereon at the offices of the Town in like lawful money from the date hereof until payment in full of said principal sum. The principal amount of this Note, combined with the principal amount of the 2018-19 Tax-Exempt Tax and Revenue Anticipation Note, shall not exceed \$10,000,000. Interest on the Note shall be determined on a daily basis and shall be a rate when multiplied by the principal amount of the Note outstanding on such day will be equal to interest accruing with respect to the Authority obligation secured by the Note outstanding on such day; provided however, that in the event that the Authority obligation secured by the Note has a principal amount outstanding of \$0 on any day, the interest rate on the Note shall be 0% for such day. Interest on the Note shall be payable on any date on which interest is payable with respect to the Authority obligation secured by the Note. The Note shall be prepayable in whole or in part on any day on which the Authority notifies the Town that principal with respect to the Authority obligation secured by the Note is due and payable.

It is hereby certified, recited and declared that this Note is issued by authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (the "Authorizing Act"), and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the Town, does not exceed any limit prescribed by the Constitution or laws of the State of California.

The proceeds of the Note will be used for any purpose permitted by the Authorizing Act, including but not limited to capital expenditures.

The Note shall be payable from taxes, income, revenue, cash receipts and other moneys which are received or accrued by the Town for the fiscal year which commenced on July 1, 2018 and which ends on June 30, 2019 and which are lawfully available for the payment of current expenses and other obligations of the Town. The obligation of the Town to make payments of principal and interest on the Note is a general obligation of the Town and does not constitute a debt of the Town or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt

limitation or restriction; provided however the Note does not constitute an obligation for which the Town is obligated or permitted to levy or pledge any form of taxation.

IN WITNESS WHEREOF, the Town of Apple Valley has caused this Note to be executed by the manual or facsimile signature of its Mayor or Vice Mayor and the Town Attorney all as of the ____ day of July, 2018.

TOWN OF APPLE VALLEY

By: _____
Mayor

APPROVED AS TO FORM

By: _____
Town Attorney

TOWN OF APPLE VALLEY
CERTIFICATE AS TO UNCOLLECTED TAXES,
INCOME, REVENUE, CASH RECEIPTS AND OTHER MONEY

The undersigned hereby certifies that the principal amount of the \$_____Town of Apple Valley 2018-19 Tax-Exempt Tax and Revenue Anticipation Note and the \$_____Town of Apple Valley 2018-19 Taxable Tax and Revenue Anticipation Note (the "Notes"), and interest payable thereon issued pursuant to a Resolution of the Town Council of the Town of Apple Valley (the "Town"), adopted on July 24, 2018, does not exceed 85 percent of the estimated amount of the uncollected taxes, income, revenue, cash receipts, and other moneys of the Town which will be available for the payment of the Notes and the interest thereon as set forth in the attached certificate of Urban Futures, Inc., municipal advisor to the Town.

Dated: July 24, 2018

TOWN OF APPLE VALLEY

By: _____
Director of Finance

CERTIFICATE OF MUNICIPAL ADVISOR

Pursuant to the Authorizing Law, the Tax-Exempt Note shall be issued in a principal amount of \$_____ and the Taxable Note shall be issued in a principal amount of \$_____, which when added to the interest payable thereon at the maximum rate permitted by law will not exceed 85 percent of the estimated amount of the then uncollected taxes, income, revenue, cash receipts, and other moneys of the Town, as determined by the following calculation:

FY 2018-19 Town Estimated Uncollected Taxes, Income, Revenue,
Cash Receipts and Other Money¹ (A) \$ _____

FY 2018-19 Tax and Revenue Anticipation Notes:

Principal amount of the Notes \$ _____

Interest on the Notes² _____

Total (B) \$ _____

Percentage (B)/(A) _____ %

Dated: July 25, 2018

URBAN FUTURES, INC.

By:

Wing-See Fox, Managing Director

¹ Source: Town of Apple Valley.

² Assumes maximum interest rate of 12% calculated based on actual/360-day basis.