



Town Council Agenda Report

Date: May 26, 2020 Item No. 4

To: Honorable Mayor and Town Council

Subject: RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY AUTHORIZING THE EXECUTION AND DELIVERY OF TAX AND REVENUE ANTICIPATION NOTES

From: Douglas Robertson, Town Manager

Submitted by: Sydnie Harris, Director of Finance
Finance Department

Budgeted Item: Yes No N/A

RECOMMENDED ACTION

Staff recommends that the Town Council adopt Resolution 2020-16 authorizing the execution and delivery of a Tax-Exempt Tax and Revenue Anticipation Note and a Taxable Tax and Revenue Anticipation Note.

BACKGROUND

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 taxexempt 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, 2020 and which ends on June 30, 2021 and which are lawfully available for the payment of current expenses and other obligations of the Town.

On October 9, 2018, the Town Council and the Board of Directors of the Authority authorized the execution and delivery of a Revolving Credit Agreement among the Authority, the Town, and JPMorgan Chase Bank in order to provide the Town with financial flexibility. The resulting Revolving Line of Credit (RLC) currently has a

commitment amount of \$10 million, from which \$6 million has been drawn thus far, and a facility maturity date of October 1, 2021.

The RLC is secured by a Taxable Note in the principal amount of \$10,000,000, issued by the Town on July 1, 2019 to the Apple Valley Public Financing Authority.

Before the expiration of the Taxable Note on June 30, 2020 the Town must authorize the issuance of another Taxable and/or Tax-exempt Note which will keep the RLC in place for another fiscal year.

The adoption of the attached Resolution is the approval that will allow the Town to issue a Taxable Note to the Authority and continue to take advantage of the RLC.

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 June 30, 2021 and will accrue interest equal to the rate of interest on the RLC of the Authority. Interest will not exceed the maximum rate permitted by law, which is 12%. The Notes shall be pre-payable 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, 2020 and which ends on June 30, 2021 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

The Taxable and/or Tax-Exempt Note allows the Town to continue to take advantage of the RLC.

ATTACHMENTS

- A. Resolution 2020-16

RESOLUTION NO. 2020-16

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY 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” and together with the Tax-Exempt, the “Notes”) 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, 2021;

WHEREAS, to obtain a revolving line of credit, the Town has previously entered into that certain Revolving Credit Agreement (the “Credit Agreement”), dated as of October 1, 2018, by and among the Apple Valley Public Financing Authority (the “Authority”), the Town and JPMorgan Chase Bank, National Association; and

WHEREAS, in order to secure payments under the Credit Agreement, the Town has previously issued a taxable tax and revenue anticipation note relating to the fiscal year ending June 30, 2020 (the “Prior Note”);

WHEREAS, in order to continue the revolving line of credit under the Credit Agreement, it is desirable to issue the Notes to replace the Prior Note;

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.

“Credit Agreement” means that certain Revolving Credit Agreement, dated as of October 1, 2018, by and among the Authority, the Town and JPMorgan Chase Bank, National Association.

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

“Tax-Exempt Note” means the Town of Apple Valley 2020-21 Tax-Exempt Tax and Revenue Anticipation Note to be issued hereunder.

“Taxable Note” means the Town of Apple Valley 2020-21 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 on July 1, 2020 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 2020-21 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 2020-21 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 13 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 described 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, 2020 and which ends on June 30, 2021 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, including but not limited to payments under the Credit Agreement.

Section 9. Cancellation of Prior Notes. The Notes shall be executed and delivered simultaneously with the cancellation of the existing Prior Note.

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** this 26th day of May 2020, by the Town Council of the Town of Apple Valley.

Mayor, Scott Nassif

ATTEST:

Town Clerk, La Vonda M-Pearson

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TOWN OF APPLE VALLEY

2020-21 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 June 30, 2021, 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 2020-21 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, 2020 and which ends on June 30, 2021 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 Mayor Pro Tem and the Town Attorney all as of the 1st day of July, 2020.

TOWN OF APPLE VALLEY

By: _____
Mayor

APPROVED AS TO FORM

By: _____
Town Attorney

\$ _____

TOWN OF APPLE VALLEY

2020-21 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 June 30, 2021, 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 2020-21 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, 2020 and which ends on June 30, 2021 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 Mayor Pro Tem and the Town Attorney all as of the 1st day of July, 2020.

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 2020-21 Tax-Exempt Tax and Revenue Anticipation Note and the \$_____ Town of Apple Valley 2020-21 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 May 12, 2020, 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 1, 2020

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 2020-21 Town Estimated Uncollected Taxes, Income, Revenue, Cash Receipts and Other Money ¹ (A)	\$

FY 2020-21 Tax and Revenue Anticipation Notes:

Principal amount of the Notes ²	\$
Interest on the Notes ³	

Total (B)	\$
Percentage (B)/(A)	%

Dated: July 1, 2020

URBAN FUTURES, INC.

By:

Wing-See Fox
Managing Director

¹ Source: Town of Apple Valley.

² The combined total outstanding balance of the Tax-Exempt and Taxable Notes shall not exceed \$10 million.

³ Assumes maximum interest rate of 12% calculated based on actual/360-day basis.