



## City of Biggs

### Agenda Item Staff Report For the Regular City Council Meeting: November 08, 2016

TO: Honorable Mayor and Members of the City Council

FROM: City Administrator

SUBJECT: Refunding of USDA Funded 2006 Water Infrastructure Rehabilitation and Replacement Loan

Council is asked to consider the prospect of refinancing certain USDA water project debt and direct staff. No Council action is requested at this time.

#### **Background**

Bill Fawell of W. J. Fawell Co., a municipal advisory financing firm, originally contacted staff back in July and provided a preliminary refunding analysis of the City's 2006 USDA Water Infrastructure Rehabilitation and Replacement Loan (2006 Water Loan), using a non rated, tax exempt refunding bond issue that indicated there would significant net debt service savings that could be achieved. The preliminary refunding analysis was provided by Mike Cavanaugh of Hilltop Securities, a well established and nationally recognized municipal bond underwriting and direct lender loan placement agent firm. Mr. Cavanaugh works out of their CA office based in Cardiff by the Sea (Encinitas, CA).

Since July, 2016, I have had two conference calls to discuss water system revenues and expenses in order to estimate net debt service coverage with respect to the 2006 Water Loan that is a "healthy" 1.60x. Based on the estimated debt service coverage of 1.60x, Bill and Mike are of the opinion that the City has a good chance of obtaining an investment grade rating in the "BBB" range and possibly even "AA" rated, municipal bond insurance that would further increase refunding debt service savings.

The outstanding principal amount of the 2006 Water Loan is currently \$3,245,000 and the interest rate is 4.375%.

Per the City's audit of for the period ending 6/30/15, the outstanding balance of the City's USDA wastewater loans was \$606,600 with rates ranging from 3.25% to 4.50% with a maturity of 9/1/39. Of this amount, \$507,700 carries a rate of 4.50%. The outstanding balance on the City's USDA Public Works facility loan as of 6/30/15 was \$251,000 with an interest rate of 5% and matures on 9/1/40.

### **Refunding Proposal**

Please find attached, a proposal from Bill Fawell of W. J. Fawell Co., Public Finance (municipal financial advisor) to refund the City's 2006 Water Loan using a "BBB" rated and "AA" insured tax exempt bond issue. The proposal would also include obtaining indications of interest from prospective lenders, along with their estimated refunding rate and terms. Thereafter, the estimated debt services savings and benefits of using a direct lender loan would be compared to the estimated debt service savings that could be achieved, using a rated and insured tax exempt bond issue to refund the 2006 Water Loan to determine which refunding approach had the most benefit.

### **Bond Market Commentary**

Mr. Fawell has advised that over the last 30 days interest rates have increased in response to recent positive economic data, along with the uncertainty surrounding the 11/8/16 national election which has been "acted out" in the bond market with higher interest rates; at least for now. Mr. Fawell believes that there is a good chance that over time rates will decline or at least level off and that the recent spike in interest rates is more bond trader driven vs. a response to serious inflationary signs, since per a recent University of Michigan study, inflationary expectations by consumers reached a historic low this month that if anything, should predict lower interest rates in the future. Plus, US Treasury rates are currently quite high when looking at comparable interest rates in Western Europe- the UK and Germany in particular.

### **Refunding Approach and Recommendation on How to Proceed**

The financing team members all work on a contingent basis and would only be paid from financing proceeds upon a successful closing, other than reimbursement for authorized expenses. Financing team members are committed to only completing the proposed refunding, if sufficient debt service savings can be achieved to make a refunding cost effective and that required debt service savings goals set by the City can be achieved.

There is no financial downside for the City to engage financing team members to start work on the refunding of the 2006 Water Loan and possibly other City USDA debt (wastewater and public work facility loan). Bill Fawell has recommended that the City move forward on the proposed refunding, taking a double track strategy of pursuing both a tax-exempt bond issue refunding and using a tax-exempt refunding loan from a commercial bank that specializes in tax exempt loans.

Once more work is completed, then the financing team will be in position to recommend which refunding option would maximize net debt service savings.

The recommended strategy is to get started now, determine the best refunding approach be it a tax-exempt bond issue refunding or tax exempt direct lender loan and then prepare the required financing documents and analysis and if necessary, wait for rates to decline before selling a tax-exempt bond issue or "locking in" a refunding rate with a lender after soliciting lender proposals.

Bill Fawell has suggested that the City set a minimum net present savings threshold of 5% of the par amount of any refunding with the goal of achieving overall net present value savings above 5%. By getting started now, it enables the City to quickly move forward on the proposed refunding of the 2006 Water Loan (and

possibly other City USDA debt), if an attractive lender proposal is received or if interest rates decline to the point that it made more sense to move forward to sell a refunding tax exempt bond issue. Once a prospectus was prepared and a rating received or bond insurance commitment received, it would take about two weeks to market a tax-exempt refunding bond issue and then another two weeks from the date of final bond pricing to close.

Assuming we can find lenders who could offer competitive rates and terms, Bill Fawell believes that using a tax exempt loan to refund the 2006 USDA Water loan (and perhaps other City USDA debt) is preferred because it is less complicated, requires less staff time, would allow the City to "lock in" prior to closing a refunding interest rate, has lower costs of issuance, usually no requirement for a debt service reserve fund, no annual bond issue administration costs of approximately \$3,000 per year and no continuing disclosure requirement as with a tax exempt bond issue.

Therefore, Bill has recommended that the City first pursue soliciting lender proposals for fixed rates thru maturity of the 2006 Water Loan and other City USDA debt. In addition, he can also obtain fixed rates for terms of both 15 and 20 years that would result in an accelerated payoff of the 2006 Water Loan (and perhaps other City USDA debt) that could possibly produce an annual debt service payment that is very close to what is currently being paid USDA. Bill has advised staff that he is finding that more and more local agencies prefer to accelerate the payoff of their debt vs. banking annual debt service savings. So this strategy of early debt payoff may be very attractive to the City.

Some lenders may be willing to offer fixed rates for 15 and 20 years but do so on a 30-year amortization schedule that would be subject to an interest rate reset at the end of 15 and 20 years that would then be locked in thru maturity. This approach would carry with it rising interest rate risk, because it is impossible to know what interest rate the loan would reset at 15-20 years in the future.

As placement agent, Hilltop Securities ("Hilltop") would take the lead in preparing a Request for Terms or Indications of Interest from prospective lenders, evaluating same and making a recommendation to the City for lender selection. Hilltop would be responsible for all refinancing calculations. If a tax-exempt bond issue was used to refund the 2006 Water Loan, Hilltop would serve as the bond underwriter.

Bill Fawell as municipal financial advisor, would oversee the proposed refunding from start thru closing and would work directly with City staff and financing team members to oversee and complete the proposed refunding, using a tax-exempt bond issue or direct lender tax exempt loan.

If Council desires to move forward with the refinancing effort then the following may be a future course of action:

- 1.) Approve refunding proposal submitted by Bill Fawell of W. J. Fawell Co., Public Finance dated 11/01/16.
- 2.) Approve Resolution prepared by Jones Hall (bond Council) authorizing refinancing of the 2006 USDA Loan and approving related documents. (Section 2 retains financing team members).
- 3.) Approve professional service agreements from financing team members consisting of:
  - Jones Hall as bond and disclosure counsel.
  - Hilltop Securities as bond underwriter (if a tax-exempt bond issue is used to refund 2006 Water Loan)
  - Hilltop Securities as placement agent (if a tax-exempt loan is used to refund City USDA debt)
  - Municipal Financial Advisory Agreement from W. J. Fawell Co., Public Finance.

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Mark Sorensen, City Administrator

**W. J. Fawell Co.**  
*Public Finance*

November 1, 2016

Mr. Mark Sorensen  
City Administrator  
City of Biggs  
465 "C" Street  
Biggs, CA 95917

Re: Refunding of 2006 USDA Loan (Water Infrastructure Improvements)

Dear Mark,

**Introduction**

The City of Biggs ("City") can achieve debt service savings by refunding its 2006 USDA Loan that funded water infrastructure improvements ("2006 Loan"), using a tax exempt bond issue or a direct lender loan with W. J. Fawell Co., as municipal financial advisor and Hilltop Securities, Inc. ("Hilltop") as the bond underwriter. If a tax exempt loan was used to refund any of the City's debt, Hilltop Securities would serve as the placement agent. We will investigate if the 2006 Loan and all other City USDA funded debt, could be more cost effectively refunded, using a direct lender loan vs. using a tax exempt bond issue.

The estimated refunding savings below, assumes that a "AA" rated insured or a "BBB" rated tax exempt bond issue was used to refund the 2006 USDA Loan, per estimated refunding rates as of 10/28/16.

**Estimated Refunding Highlights-Using Insured "AA" Rated Tax Exempt Bond Issue**

- Net Cash flow savings of **\$244,556**.
- Average annual net debt service savings of approx. **\$14,560** per year thru maturity (4/1/46).  
-2006 Loan debt service reserve fund used to pay down 2006 Loan at closing.
- Net present value debt service savings of **\$210,942 (6.50%** of par).
- Interest rate on 2006 USDA Loan reduced from **4.375%** to new est. true interest cos of **3.51%**.

**Estimated Refunding Highlights- Assumes "BBB" Rated Bond Issue without Bond Insurance**

- Average annual net debt service savings of approx. **\$3,382** per year thru maturity (4/1/46).
- Net present value debt service savings of **\$190,362 (5.87%** of par).
- Interest rate on 2006 USDA Loan reduced from **4.375%** to new est. true interest cos of **3.67%**.

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Mr. Mark Sorensen  
City Administrator  
City of Biggs  
November 1, 2016  
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The industry standard is that a refunding should be considered whenever net present value savings exceed 3-4% of the principal amount of the proposed refunding. As noted above, the estimated net present value savings on the proposed refunding of the 2006 USDA Loan, using either a "AA" insured or "BBB" rated tax exempt bond issue, exceeds this industry standard. Estimated debt service savings can increase or decrease, depending on final pricing of the proposed refunding bonds. We estimate that it would take approximately 60 days to complete the proposed refunding, once a decision was made by the City to proceed. Final bond pricing would typically occur about two weeks prior to closing.

Prior to moving forward on the refunding of the 2006 Loan using a tax exempt bond issue, we will determine if there are any lenders who would be willing to provide funding and if the proposed rate and terms offered would be superior to using a tax exempt rated or insured tax exempt bond issue.

#### **Advantages of Tax Exempt, Private Placement Loan Financing**

The advantages of using a tax exempt, private placement loan to refund debt vs. using a tax exempt bond issue are as follows: minimal staff time required to complete refunding, low costs of issuance and borrowing rate, no debt service reserve fund, no official statement (prospectus), no rating fee, no ongoing SEC disclosure requirements, simplified financing documentation and rates can be "locked in" through closing, eliminating interest rate risk.

#### **Financing Team Members and Roles**

The refunding of the 2006 USDA Loan, using a tax exempt bond issue or tax exempt direct lender loan would be led by W. J. Fawell Co., acting as municipal financial advisor, who has a fiduciary duty to the City. In that role, W. J. Fawell Co. would oversee the proposed refunding from start through closing, working directly with City staff. W. J. Fawell Co. would serve as a liaison between City staff, bond counsel, the bond underwriter or placement agent and oversee the proposed refunding from start thru closing.

Bill Fawell would be staff's primary contact and would take full responsibility for the successful closing of the proposed refunding of the 2006 USDA Loan and any other City debt to be refunded. W. J. Fawell Co. specializes in arranging tax exempt, publicly sold bond issues (public offerings) and private placement loans for local government agencies and non-profit entities. Please see enclosed background information on W. J. Fawell Co., Public Finance.

If a tax exempt bond issue was used to refund the 2006 Loan, Hilltop Securities, Inc. ("Hilltop") would serve as the bond underwriter and would market and sell the refunding bonds to retail and institutional buyers. Hilltop provides bond underwriting, placement agent and investment banking services. Hilltop will be responsible for all refunding calculations. If a direct tax exempt loan was used to refinance any City debt, Hilltop Securities would serve as placement agent and take the lead in preparing a Request for Terms to solicit lender proposals. Mike Cavanaugh and Todd Smith, Managing Directors with Hilltop, will oversee the proposed refunding for Hilltop.

Mr. Mark Sorensen  
City Administrator  
City of Biggs  
November 1, 2016  
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Mr. Cavanaugh and Mr. Smith are based in Cardiff by the Sea, located in North Coastal San Diego County. Hilltop is one of the nation's largest municipal bond underwriters and placement agents. Enclosed is background information on Hilltop.

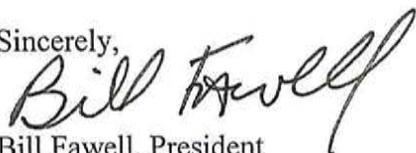
Bond counsel services would be provided James Wawrzyniak, Jr. and Charles Adams of Jones Hall, a highly regarded municipal bond counsel firm, based in San Francisco. Mr. Wawrzyniak, Jr. would prepare all required financing documents and insure that the proposed refunding complies with applicable securities laws and regulations. In addition, Mr. Wawrzyniak, Jr. would serve as disclosure counsel and would draft the Official Statement (prospectus) for the proposed refunding of the 2006 USDA Loan if a tax exempt bond issue was used.

Hilltop has disclosure requirements as described below on this page. Please note that Hilltop seeks to serve as a bond underwriter or as a placement agent and not as a financial advisor or municipal advisor. The preliminary financing information provided by Hilltop is for discussion purposes only in anticipation of being engaged to serve as bond underwriter and should be considered general market information and not advice or recommendation. Hilltop has also submitted to the City a Placement Agent Agreement, should a tax exempt lender loan be used to refund the 2006 Loan and any other City debt that could be cost effectively refunded.

In summary, the proposed refunding of the City's 2006 USDA Loan, using a non-rated, tax exempt bond issue (public offering) as described herein, generates sufficient net present value debt service savings to warrant proceeding on the proposed refunding.

We look forward to working with the City to complete the refunding of its 2006 USDA Loan and any other City debt funded by the USDA that could be cost effectively refunded.

Sincerely,



Bill Fawell, President  
W. J. Fawell Co.  
Public Finance

Disclosure

No Solicitation. Pursuant to MSRB Rule G-38, both parties agree that neither party has solicited and will not solicit municipal securities business on behalf of the other party. Hilltop Securities will solicit municipal securities business only on its own behalf. Hilltop Securities and W. J. Fawell Co. represent that neither has made or will make any payments as compensation to any firm or individual for communicating with any other entity to obtain municipal securities on its behalf.

Preliminary Refunding Nos.

for

Refunding

City of Biggs, CA

2006 USDA Loan

(Water System Projects)

Using "AA" Insured

Tax Exempt,

Bond Issue

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SOURCES AND USES OF FUNDS

CITY OF BIGGS, CA  
Water Revenue Refunding Bonds, Series 2017  
Refunds: 2006 USDA Loan  
Scale: Insured Market Rates as of 10/27/17  
Preliminary/ Subject to Change

Dated Date 01/15/2017  
Delivery Date 01/15/2017

Sources:

Bond Proceeds:	
Par Amount	3,385,000.00
Net Original Issue Discount	(70,501.30)
	<u>3,314,498.70</u>

Other Sources of Funds:	
Debt Service Reserve Fund	195,000.00
	<u>3,509,498.70</u>

Uses:

Refunding Escrow Deposits:	
Cash Deposit	3,286,013.19

Delivery Date Expenses:	
Cost of Issuance	125,000.00
Underwriter's Discount	50,775.00
Bond Insurance (75 bps)	39,247.95
Surety Bond (3%)	5,438.63
Trustee & Dissemination Agent	3,000.00
	<u>223,461.58</u>

Other Uses of Funds:	
Additional Proceeds	23.93
	<u>3,509,498.70</u>

SAVINGS

CITY OF BIGGS, CA  
 Water Revenue Refunding Bonds, Series 2017  
 Refunds: 2006 USDA Loan  
 Scale: Insured Market Rates as of 10/27/17  
 Preliminary/ Subject to Change

Date	Prior Debt Service	Prior DSR	Prior Net Cash Flow	Refunding Debt Service	Refunding Expenses	Refunding Net Cash Flow	Savings	Present Value to 01/15/2017 @ 3.4581741%
04/01/2017	125,984.38	411.67	125,572.71	107,660.14	3,000.00	110,660.14	14,912.57	14,805.02
04/01/2018	194,562.50	1,950.00	192,612.50	175,637.50	3,000.00	178,637.50	13,975.00	13,671.77
04/01/2019	197,156.26	1,950.00	195,206.26	179,237.50	3,000.00	182,237.50	12,968.76	12,270.13
04/01/2020	194,531.26	1,950.00	192,581.26	177,737.50	3,000.00	180,737.50	11,843.76	10,840.13
04/01/2021	196,906.26	1,950.00	194,956.26	175,487.50	3,000.00	178,487.50	16,468.76	14,475.16
04/01/2022	194,062.50	1,950.00	192,112.50	173,237.50	3,000.00	176,237.50	15,875.00	13,486.37
04/01/2023	196,218.76	1,950.00	194,268.76	175,237.50	3,000.00	178,237.50	16,031.26	13,159.19
04/01/2024	198,156.26	1,950.00	196,206.26	177,037.50	3,000.00	180,037.50	16,168.76	12,823.97
04/01/2025	194,875.00	1,950.00	192,925.00	173,637.50	3,000.00	176,637.50	16,287.50	12,482.11
04/01/2026	196,593.76	1,950.00	194,643.76	175,237.50	3,000.00	178,237.50	16,406.26	12,148.75
04/01/2027	198,093.76	1,950.00	196,143.76	176,637.50	3,000.00	179,637.50	16,506.26	11,810.35
04/01/2028	194,375.00	1,950.00	192,425.00	172,837.50	3,000.00	175,837.50	15,587.50	11,468.07
04/01/2029	195,656.26	1,950.00	193,706.26	175,225.00	3,000.00	178,225.00	15,481.26	10,347.43
04/01/2030	196,718.76	1,950.00	194,768.76	177,475.00	3,000.00	180,475.00	14,293.76	9,237.19
04/01/2031	197,562.50	1,950.00	195,612.50	179,587.50	3,000.00	182,587.50	13,025.00	8,139.70
04/01/2032	198,187.50	1,950.00	196,237.50	181,287.50	3,000.00	184,287.50	11,950.00	7,221.70
04/01/2033	198,593.76	1,950.00	196,643.76	177,837.50	3,000.00	180,837.50	15,806.26	9,184.58
04/01/2034	198,781.26	1,950.00	196,831.26	179,387.50	3,000.00	182,387.50	14,443.76	8,113.29
04/01/2035	193,750.00	1,950.00	191,800.00	175,787.50	3,000.00	178,787.50	13,012.50	7,066.64
04/01/2036	193,718.76	1,950.00	191,768.76	172,187.50	3,000.00	175,187.50	16,581.26	8,669.02
04/01/2037	198,468.76	1,950.00	196,518.76	178,587.50	3,000.00	181,587.50	14,931.26	7,544.54
04/01/2038	197,781.26	1,950.00	195,831.26	179,362.50	3,000.00	182,362.50	13,468.76	6,577.41
04/01/2039	196,875.00	1,950.00	194,925.00	179,975.00	3,000.00	182,975.00	11,950.00	5,640.40
04/01/2040	195,750.00	1,950.00	193,800.00	175,425.00	3,000.00	178,425.00	15,375.00	6,989.54
04/01/2041	194,406.26	1,950.00	192,456.26	175,875.00	3,000.00	178,875.00	13,581.26	5,965.12
04/01/2042	197,843.76	1,950.00	195,893.76	176,162.50	3,000.00	179,162.50	16,731.26	7,084.45
04/01/2043	195,843.76	1,950.00	193,893.76	176,287.50	3,000.00	179,287.50	14,606.26	5,973.09
04/01/2044	193,625.00	1,950.00	191,675.00	176,250.00	3,000.00	179,250.00	12,425.00	4,906.27
04/01/2045	196,187.50	1,950.00	194,237.50	176,050.00	3,000.00	179,050.00	15,187.50	5,783.65
04/01/2046	198,312.50	196,950.00	1,362.50	180,687.50	3,000.00	183,687.50	(182,325.00)	(66,968.46)
	5,819,578.30	251,961.67	5,567,616.63	5,233,060.14	90,000.00	5,323,060.14	244,556.49	210,916.58

Savings Summary

PV of savings from cash flow	210,916.58
Plus: Refunding funds on hand	23.93
Net PV Savings	210,940.51

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SUMMARY OF REFUNDING RESULTS

CITY OF BIGGS, CA  
Water Revenue Refunding Bonds, Series 2017  
Refunds: 2006 USDA Loan  
Scale: Insured Market Rates as of 10/27/17  
Preliminary/ Subject to Change

Dated Date	01/15/2017
Delivery Date	01/15/2017
Arbitrage yield	3.458174%
Escrow yield	0.000000%
Value of Negative Arbitrage	
Bond Par Amount	3,385,000.00
True Interest Cost	3.510850%
Net Interest Cost	3.421683%
Average Coupon	3.210968%
Average Life	17.003
Par amount of refunded bonds	3,245,000.00
Average coupon of refunded bonds	4.375000%
Average life of refunded bonds	17.846
PV of prior debt to 01/15/2017 @ 3.458174%	3,659,622.85
Net PV Savings	210,940.51
Percentage savings of refunded bonds	6.500478%
Percentage savings of refunding bonds	6.231625%

Preliminary Refunding Nos.

for

Refunding

City of Biggs, CA

2006 USDA Loan

(Water System Projects)

Using “BBB” Rated

Tax Exempt,

Bond Issue

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SOURCES AND USES OF FUNDS

CITY OF BIGGS, CA  
 Water Revenue Refunding Bonds, Series 2017  
 Refunds: 2006 USDA Loan  
 Scale: BBB Market Rates as of 10/27/17  
 Preliminary/ Subject to Change

Dated Date 01/15/2017  
 Delivery Date 01/15/2017

Sources:

Bond Proceeds:	
Par Amount	3,515,000.00
Net Original Issue Discount	(38,488.20)
	<u>3,476,511.80</u>

Other Sources of Funds:	
Debt Service Reserve Fund	195,000.00
	<u>3,671,511.80</u>

Uses:

Refunding Escrow Deposits:	
Cash Deposit	3,286,013.19

Other Fund Deposits:	
Debt Service Reserve Fund	191,800.00

Delivery Date Expenses:	
Cost of Issuance	125,000.00
Underwriter's Discount	61,512.50
Trustee & Dissemination Agent	<u>3,000.00</u>
	189,512.50

Other Uses of Funds:	
Additional Proceeds	4,186.11
	<u>3,671,511.80</u>

SAVINGS

CITY OF BIGGS, CA  
 Water Revenue Refunding Bonds, Series 2017  
 Refunds: 2006 USDA Loan  
 Scale: BBB Market Rates as of 10/27/17  
 Preliminary/ Subject to Change

Date	Prior Debt Service	Prior DSR	Prior Net Cash Flow	Refunding Debt Service	Refunding Expenses	Refunding Net Cash Flow	Savings	Present Value to 01/15/2017 @ 3.5130679%
04/01/2017	125,984.38	411.67	125,572.71	119,908.47	3,000.00	122,908.47	2,664.24	2,644.72
04/01/2018	194,562.50	1,950.00	192,612.50	186,087.50	3,000.00	189,087.50	3,525.00	3,560.65
04/01/2019	197,156.26	1,950.00	195,206.26	189,687.50	3,000.00	192,687.50	2,518.76	2,498.94
04/01/2020	194,531.26	1,950.00	192,581.26	188,187.50	3,000.00	191,187.50	1,393.76	1,398.60
04/01/2021	196,906.26	1,950.00	194,956.26	185,937.50	3,000.00	188,937.50	6,018.76	5,342.00
04/01/2022	194,062.50	1,950.00	192,112.50	182,937.50	3,000.00	185,937.50	6,175.00	5,290.62
04/01/2023	196,218.76	1,950.00	194,268.76	189,937.50	3,000.00	192,937.50	1,331.26	1,209.07
04/01/2024	198,156.26	1,950.00	196,206.26	191,537.50	3,000.00	194,537.50	1,668.76	1,432.54
04/01/2025	194,875.00	1,950.00	192,925.00	187,937.50	3,000.00	190,937.50	1,987.50	1,625.08
04/01/2026	196,593.76	1,950.00	194,643.76	189,337.50	3,000.00	192,337.50	2,306.26	1,802.78
04/01/2027	198,093.76	1,950.00	196,143.76	190,537.50	3,000.00	193,537.50	2,606.26	1,953.15
04/01/2028	194,375.00	1,950.00	192,425.00	186,537.50	3,000.00	189,537.50	2,887.50	2,078.30
04/01/2029	195,656.26	1,950.00	193,706.26	189,037.50	3,000.00	192,037.50	1,668.76	1,203.61
04/01/2030	196,718.76	1,950.00	194,768.76	185,887.50	3,000.00	188,887.50	5,881.26	3,817.10
04/01/2031	197,562.50	1,950.00	195,612.50	187,737.50	3,000.00	190,737.50	4,875.00	3,067.62
04/01/2032	198,187.50	1,950.00	196,237.50	189,437.50	3,000.00	192,437.50	3,800.00	2,324.16
04/01/2033	198,593.76	1,950.00	196,643.76	190,700.00	3,000.00	193,700.00	2,943.76	1,753.47
04/01/2034	198,781.26	1,950.00	196,831.26	191,800.00	3,000.00	194,800.00	2,031.26	1,187.96
04/01/2035	193,750.00	1,950.00	191,800.00	182,737.50	3,000.00	185,737.50	6,062.50	3,280.76
04/01/2036	193,718.76	1,950.00	191,768.76	183,837.50	3,000.00	186,837.50	4,931.26	2,583.96
04/01/2037	198,468.76	1,950.00	196,518.76	189,775.00	3,000.00	192,775.00	3,743.76	1,902.94
04/01/2038	197,781.26	1,950.00	195,831.26	190,050.00	3,000.00	193,050.00	2,781.26	1,373.95
04/01/2039	196,875.00	1,950.00	194,925.00	190,150.00	3,000.00	193,150.00	1,775.00	858.57
04/01/2040	195,750.00	1,950.00	193,800.00	185,075.00	3,000.00	188,075.00	5,725.00	2,585.18
04/01/2041	194,406.26	1,950.00	192,456.26	185,000.00	3,000.00	188,000.00	4,456.26	1,945.91
04/01/2042	197,843.76	1,950.00	195,893.76	189,750.00	3,000.00	192,750.00	3,143.76	1,329.02
04/01/2043	195,843.76	1,950.00	193,893.76	189,150.00	3,000.00	192,150.00	1,743.76	716.65
04/01/2044	193,625.00	1,950.00	191,675.00	183,375.00	3,000.00	186,375.00	5,300.00	2,065.79
04/01/2045	196,187.50	1,950.00	194,237.50	187,600.00	3,000.00	190,600.00	3,637.50	1,367.21
04/01/2046	198,312.50	196,950.00	1,362.50	191,475.00	3,000.00	194,475.00	(193,112.50)	(69,824.19)
	5,819,578.30	251,961.67	5,567,616.63	5,571,145.97	90,000.00	5,661,145.97	(93,529.34)	(5,623.86)

Savings Summary

PV of savings from cash flow	(5,623.86)
Plus: Refunding funds on hand	195,986.11
Net PV Savings	190,362.25

SUMMARY OF REFUNDING RESULTS

CITY OF BIGGS, CA  
Water Revenue Refunding Bonds, Series 2017  
Refunds: 2006 USDA Loan  
Scale: BBB Market Rates as of 10/27/17  
Preliminary/ Subject to Change

Dated Date	01/15/2017
Delivery Date	01/15/2017
Arbitrage yield	3.513068%
Escrow yield	0.000000%
Value of Negative Arbitrage	
Bond Par Amount	3,515,000.00
True Interest Cost	3.667148%
Net Interest Cost	3.598252%
Average Coupon	3.431368%
Average Life	17.048
Par amount of refunded bonds	3,245,000.00
Average coupon of refunded bonds	4.375000%
Average life of refunded bonds	17.846
PV of prior debt to 01/15/2017 @ 3.513068%	3,635,465.03
Net PV Savings	190,362.25
Percentage savings of refunded bonds	5.866325%
Percentage savings of refunding bonds	5.415711%

Information

on:

W. J. FAWELL CO.

Public Finance

(Financial Advisor)

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## COMPANY PROFILE

### W. J. FAWELL CO. *Public Finance*

**W. J. FAWELL CO.** is a municipal financial advisory firm specializing in arranging publicly issued and privately placed tax exempt financing for local government agencies. The firm was founded in 1994. Bill Fawell, President of the firm, has over 34 years experience in municipal finance both in the city management profession; and since 1985 as an investment banker and financial advisor to local government agencies. He has completed over 127 separate tax exempt financings totaling approximately \$975 million dollars for 64 separate local government agencies and non-profit organizations.

**W. J. FAWELL CO.** focuses on the development of low cost and flexible financing programs. Historically the firm has concentrated on public infrastructure finance with a special emphasis in refunding outstanding debt and saving clients money.

Services offered by the firm include:

- Advisory services on public offerings and private placements.
- Refunding and restructuring of outstanding debt.
- Public facility financing.
- Equipment and vehicle lease-purchases of any size or description
- Non-profit financing for healthcare and human service providers.
- Consulting services on alternative methods of financing.

**W. J. FAWELL CO.** has extensive experience using all forms of municipal debt issuance to construct needed public facilities, finance the acquisition of equipment/vehicles and refund/restructure existing debt. Examples of projects the firm has financed would include school facilities, water and wastewater facilities, storm drain and flood control systems, roads and healthcare facilities. As regards equipment financing, the firm finances buses, construction equipment, computer office equipment, public safety vehicles, medical equipment and energy management systems. In addition, the firm arranges tax exempt financing for healthcare providers, human service agencies and higher education.

**W. J. FAWELL CO.** is committed to professional excellence and integrity in all of its work and encourages you to contact our esteemed clients regarding our capabilities. The firm strongly believes in prompt and focused professional service delivered in the most cost effective manner possible. In order to guarantee the highest caliber of specialized professional service the firm will, if warranted, put together a team of other professionals to complete a given project.

**W. J. FAWELL CO.** is headquartered in Carlsbad, California.

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## RÉSUMÉ

### BILL FAWELL

Bill began his career in the public sector working for over nine years in various city management positions for the California Cities of Torrance, Rolling Hills Estates, and Palos Verdes Estates. While employed in the public sector he was responsible for public works administration, contract services, community relations, personnel, labor negotiations, recreation administration, budget preparation administration, risk management and community development. This broad background in municipal management has given him keen insight into the governmental processes in which both appointed and elected officials must operate.

He has over 30 years of experience in municipal finance, working as both an investment banker and financial advisor to local government agencies. In the course of his career in public finance he has completed 127 separate financings totaling approximately \$975 million dollars for 64 separate local government agencies and non-profit organizations.

He began his career in public finance in 1985 with the investment banking firm of Miller & Schroeder Financial, Inc., in Solana Beach, California, where he worked as an investment banker and financial advisor to local government agencies. In 1987, he joined the municipal underwriting and financial advisory firm of M. F. Whipple & Co., Inc., in Laguna Niguel, California, that eventually evolved into Whipple, Kinsell & O'Neal. In 1994, Bill founded W. J. Fawell Co. to provide municipal financial advisory services, specializing in arranging publicly issued and privately placed tax exempt financing for local government agencies and non-profit organizations.

Since entering the field of public finance, he has specialized in public infrastructure financing emphasizing new public facilities. The firm specializes in refunding all forms of municipal debt obligations with the goal of saving clients money.

Bill has a broad background in public finance and has utilized all of the available debt instruments to complete a given financing. He has extensive experience in using tax exempt leases, certificates of participation, revenue bonds, general obligation bonds, Marx-Roos bonds, special assessment bonds, Mello-Roos Community Facility District bonds, tax increment revenue bonds and health care revenue bonds.

Bill is a National Association of Securities Dealers Registered Representative and has a Series 7 General Securities License. In addition, he is a Registered Municipal Advisor with the Municipal Securities Rulemaking Board (MSRB) and the SEC. He holds a Master's Degree in Public Administration from California State University, Long Beach and a Bachelor of Arts Degree in Public Administration with a minor in Business Administration from California State University, Chico.

# W. J. FAWELL CO.

◆ Public Finance ◆

## List of Agencies Served by William J. Fawell

1. Alvord Unified School District
2. Anderson Union High School District
3. City of Arcata
4. Azusa Redevelopment Agency, City of
5. City of Atascadero
6. City of Banning
7. Beaumont Unf. Sch. District
8. City of Brea
9. Cambria Community Services District
10. Chino Valley Unified School District
11. City of Chino
12. City of Cloverdale
13. City of Colton
14. City of Commerce
15. City of Corona
16. Cudahy Redevelopment Agency
17. Desert Sands Unified School District
18. East Valley Water District
19. El Centro Regional Medical Center
20. Etiwanda School District
21. Fallbrook Public Utility District
22. City of Fresno
23. Glenn-Colusa Irrigation District
24. City of Grand Terrace
25. Helix Water District
26. Humboldt Community Services District
27. Jurupa Community Services District
28. City of Lathrop
29. City of La Verne
30. Town of Los Altos Hills
31. City of Monrovia and Unfd. Sch. Dist.
32. Moreno Valley Unified School District
33. Moulton Niguel Water District
34. Mountain View School District
35. City of Murrieta
36. North County Fire Protection District
37. Padre Dam Municipal Water District
38. City of Palm Desert
39. Palm Desert Water & Services District
40. Portola Valley, Town of
41. Plumas Unified School District
42. Purissima Hills Water District
43. Ramona Municipal Water District
44. Reclamation District No. 108
45. Rhoda Goldman Plaza (Issuer: CMFA)
46. City of Rialto
47. Riverside Unified School District
48. City of Rohnert Park
49. City of San Bernardino
50. City of San Diego
51. San Gabriel County Water District
52. City of San Marcos
53. Santa Paula School District
54. City of Seal Beach Redev. Agency
55. Schell-Vista Fire Protection District
56. Sierra View Local Health Care District
57. South Bay Union School District
58. Southern California Presbyterian Homes
59. City of Stockton (Dameron Hospital)
60. Upland Unified School District
61. Ventura County
62. Walden House, Inc. (CSCDA-Issuer)
63. Western Mpl. Water District
64. Woodside, Town of

Information  
on:  
Hilltop Securities, Inc.  
and  
Assigned Personnel

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**Hilltop Securities Inc.**, formerly known as Southwest Securities, Inc., was founded in 1972 and was one of the first broker-dealers to enter the fully disclosed securities clearing business, becoming the “back office” for a number of other brokerage houses. In addition to developing clearing as a core business, the firm made strategic acquisitions and added complementary lines of business, entering the public finance and municipal underwriting business in 1987. First Southwest Company, LLC (“First Southwest”), founded in 1946, was originally dedicated to serving the financing needs of local municipalities and over the years grew into a national firm with expertise in every sector of public finance. In 2015, Hilltop Securities and First Southwest became common control affiliates under Hilltop Holdings Inc., a Texas-based diversified financial holding company specializing in banking, mortgage origination, financial advisory and insurance through its wholly owned subsidiaries. On January 22, 2016, Hilltop Securities and First Southwest merged to create a new, stronger firm with complementary business lines and a shared history representing more than 112 years of industry experience.

Selected facts about HilltopSecurities at the conclusion of the integration process in January 2016:

- Wholly owned subsidiary of Hilltop Holdings Inc. (NYSE: HTH)
- Created through the combination of Southwest Securities, Inc. and First Southwest Company, LLC
- Operating in California since 1966
- Approximately 955 employees, with 110 employees located in California
- 51 office locations in 20 states, with 10 in California
- \$14.9 billion in retail assets under management with \$4.6 billion in California
- \$41 billion in Clearing Services client assets
- \$20 billion in Municipal Cash Management assets under management

HilltopSecurities maintains a leading position in underwriting and pioneering of innovative financing structures for California. HilltopSecurities personnel serves on the Committee on Assessments, Special Taxes and Other Financing Facilities (CASTOFF), the statewide advisory committee which provides technical advice to the California State Senate with respect to periodic amendments to the community facilities district statute as well as service on the California Debt and Investment Advisory Commission assisting in the development of appraisal guidelines for land-secured bonds. Furthermore, California bankers from HilltopSecurities have worked collaboratively with our New Mexico office in developing the land secured financing market in the State of New Mexico, where the passage of new legislation created the Public Improvement District (PID) concept – a hybrid of the assessment district and Mello-Roos district. In 2005, HilltopSecurities was the first to complete a PID in New Mexico.

In addition, because of our land based experience in California and New Mexico, HilltopSecurities (with Mr. Cavanaugh and Todd Smith) co-managed the first land secured financing in the State of Massachusetts. After more than 24 months of devoted work with a local based underwriter, bond counsel and market absorption consultant HilltopSecurities was able to bring to market the land secured deal for the South Weymouth Naval Air Station base closure. The \$12,550,000 financing for South Shore Tri-Town Development Corporation, Infrastructure Development Revenue Bonds closed on August 12, 2010. This district was non-rated and had a single owner, LNR, who made headlines earlier in 2010 for possible bankruptcy. This unusual and unique financing is an example of our national and respected experience. The following are local issues that demonstrate our abilities.

A representative list of the firm's land-based underwritings since 2011 can be provide on request. This list reflects 45 deals since January 1, 2011 totaling \$767,257,773. These list includes transactions that are currently in progress for City of Yuba City, City of Calimesa, City of Stockton and Capistrano Unified School District that are comparable transactions.

#### **Team Members:**

**Mike Cavanaugh**, *Managing Director, Lead Banker*, started his career in Public Finance in 1991 as a financial analyst and has over fifteen years of senior management banking experience. Mr. Cavanaugh's recent land based experience includes the Cities of San Diego, Poway, Solana Beach, West Sacramento, Waterford, Rocklin, Indio, Folsom, Yuba City, Newark, Hayward, Calimesa, Colton JUSD and RD17 Levee Area. He has significant amount of land-secured debt financing experience. HilltopSecurities, with Mr. Cavanaugh as lead banker, was recently added to the senior managing pool of underwriters for both the City of San Diego and Los Angeles County including Land Secured debt.

<b>HilltopSecurities</b> A Hilltop Holdings Company		<b>Mike Cavanaugh</b> <i>Managing Director</i> Public Finance Banking
2533 S. Coast Hwy 101, Suite 250 Cardiff by the Sea, California 92007		
☎ 760.632.6824 Office 619.200.4747 Mobile Fax 760.632.8621 Mike.Cavanaugh@hilltopsecurities.com		

Mr. Cavanaugh holds a Bachelor of Science Degree in Business Administration from the University of Southern California. He is a Registered Representative with the NASD (Series 7). Mr. Cavanaugh is an active member of the Committee on Assessments, Special Taxes and Other Financing Facilities (CASTOFF), California Society of Municipal Finance Officers (Statewide and the San Diego Chapter), Independent Cities Association, and the former California Redevelopment Association.

**Todd Smith**, *Managing Director*, has been involved in the underwriting of over \$3.5 billion in public finance transactions since 1996, including revenue bonds, COPs, lease revenue bonds, land secured transactions, tax allocation bonds, affordable housing projects, enterprise revenue bonds, and general obligation bonds. In 2008 and 2009, Mr. Smith was the lead banker on the Far West Region Bond Buyer Deal of the Year for the Yuba County Levee Improvement Authority and Chawanakee Unified School District, respectively. Mr. Smith

<b>HilltopSecurities</b> A Hilltop Holdings Company		<b>Todd Smith</b> <i>Managing Director</i> Public Finance Banking
2533 S. Coast Hwy 101, Suite 250 Cardiff by the Sea, California 92007		
☎ 760.632.1347 Fax 760.632.8621 Todd.Smith@hilltopsecurities.com		

holds a Bachelor of Arts Degree from California State University Fullerton in Economics. Mr. Smith's has a Series 7 and Series 63 licenses.

*DISCLOSURE: (a) Hilltop Securities is not recommending an action to you as the municipal entity or obligated person; (b) Hilltop Securities is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act to you with respect to the information and material contained in this communication; (c) Hilltop Securities is acting for its own interests; (d) you should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this information or material and (e) Hilltop Securities seeks to serve as an underwriter on a future transaction and not as a financial advisor or municipal advisor. The information provided is for discussion purposes only in anticipation of being engaged to serve as underwriter. The primary role of an underwriter is to purchase securities with a view to distribution in an arm's-length commercial transaction with the issuer. The underwriter has financial and other interests that differ from those of the issuer.*

# W. J. Fawell Co.

## *Public Finance*

November 1, 2016

Mr. Mark Sorensen  
City Administrator  
City of Biggs  
465 "C" Street  
Biggs, CA 95917

Re: Agreement Employing Municipal Financial Advisor-Refunding of 2006 USDA Loan,  
(Water Infrastructure Rehabilitation Project)

Dear Mr. Sorensen,

W. J. Fawell Co., Public Finance, is pleased to submit this Agreement Employing Municipal Financial Advisor to the City of Biggs, CA ("City") for the purpose of providing municipal financial advisory services to be performed in conjunction with the planned issuance of tax exempt refunding bonds to refund the City's 2006 USDA Loan ("2006 Loan") that funded various water system infrastructure projects that closed on November 9, 2006 in the aggregate amount of \$3,675,000, maturing on April 1, 2046. The outstanding principal amount of the 2006 Loan is currently estimated at \$3,245,000.

It is estimated that the refunding bonds will have a principal amount of approximately \$3,455,000 that includes estimated costs of issuance and assumes a non-rated, refunding bond issue.

We will also examine if the City's other USDA loans that funded wastewater system improvements and public works facility improvements could also be cost effectively refunded. However, we have initially concluded that the only viable refunding candidate now is the 2006 Loan that funded water system improvements.

William J. Fawell, President of W. J. Fawell Co., Public Finance, will be directly responsible for providing municipal financial advisory services to the District. Our municipal financial advisory services are divided into two phases.

Phase I would include financing planning, review of financing analyses, development of a financing plan, schedule and attendance at public meetings, conference calls and work sessions as required.

**3235 Avenida La Cima, Suite 100, Carlsbad, CA 92009**  
**Tel: (760) 942-2442 - FAX: (760) 942-309**

Mr. Mark Sorensen  
City Administrator  
City of Biggs  
November 1, 2016  
Pg. 2

Phase II would involve furnishing municipal financial advisory services to be performed in conjunction with the structuring and marketing of the proposed refunding of the 2006 Loan.

We agree to provide the following municipal financial advisory services in connection with the planned refunding bond issue:

## **I. FINANCIAL ADVISORY SERVICES**

### **PHASE I**

In Phase I, we would provide the following municipal financial advisory services:

- 1.) Confer with City staff, bond counsel, disclosure counsel, other interested parties and members of the financing team to assist in the formulation of a coordinated financing plan. We will analyze and provide advice regarding the financial feasibility of the proposed financing, after having reviewed all preliminary information. Information to be reviewed would include but not be limited to refunding debt service calculations, estimated water revenue and expenses, net revenue debt service coverage calculations, projected water revenue and expenses, planned water system infrastructure improvements along with any required financing, review original 2006 Loan documents, audited financial statements, current operating and capital budgets and all other City outstanding debt. We would examine the above items to determine that the proposed refunding bond issue had adequate credit strength to attract investors to purchase the refunding bonds at market rates to maximize refunding savings and if possible to obtain an investment grade rating on the proposed refunding bond issue and if cost effective, obtaining municipal bond insurance to guarantee the payment of principal and interest on the refunding bonds.
  - 2.) Work with City staff, bond counsel, disclosure counsel, bond underwriter, consultants and other members of the financing team in the development of a financing schedule to complete the financing in a timely manner and distribute to financing team.
  - 3.) Prepare a list of financing team members and distribute to financing team.
  - 4.) Work closely with the financing team to provide structural recommendations as they relate to the technical features of the financing, including but not limited to: principal amount needed to refund the Bonds, maturity schedules, security for the refunding bonds, call features, sinking funds, if any, reserves, escrow of any bond proceeds and credit enhancement options, if available, assist in making rating application to obtain an investment grade rating, and if available, assist in applying for municipal bond insurance (if an investment grade rating can be obtained), which will make the proposed financing most acceptable to prospective bond purchasers and, therefore, marketable at the lowest possible interest rate that will maximize refunding savings.
-

Mr. Mark Sorensen  
City Administrator  
City of Biggs  
November 1, 2016  
Pg. 3

- 5.) Prepare agendas for conference calls for review of financing issues throughout the course of the proposed refunding of the 2006 Loan to ensure that the financing moves forward on schedule.
- 6.) Attend meetings and participate on conference calls concerning the financing as requested by City staff and financing team members.
- 7.) Prepare draft staff reports to assist staff with preparing for needed City Council approvals, per the financing schedule.
- 8.) Provide consultation and advice upon request by City staff and members of the financing team.

## PHASE II

Phase II services would commence upon action of the City Council, directing sale of the refunding bonds. The sale of the refunding bonds would be done on a negotiated sale basis. We will provide the following services in conjunction with a negotiated bond sale:

- 1.) Assist disclosure counsel in the preparation of the Official Statement, assist in compiling all necessary economic, financial and statistical data pertaining to the proposed financing. Provide written and verbal comments to disclosure counsel and financing team members to insure complete and accurate disclosure of information contained in the Official Statement. The Official Statement produced will be satisfactory to the City and in compliance with 15c2-12 disclosure requirements.
- 2.) Attend due diligence meeting(s) as requested and participate in conference calls pertaining to the production of the Official Statement to verify the accuracy of the data contained in the Official Statement to insure full and accurate disclosure of all pertinent information concerning the economic and financial status of City finances and its water enterprise funds.
- 3.) Attend meetings and participate on conference calls concerning the financing when deemed necessary. Be available for consultation and advice until the refunding bonds have been sold and thereafter, upon request.
- 4.) Review and comment on all financing documents relating to the marketing of the proposed financing including the Official Statement, legal agreements, all financing documents, water revenue and expense estimates, preliminary refunding calculations, bond issue structuring, escrow agreement, trustee correspondence and bond purchase agreement.

Mr. Mark Sorensen  
City Administrator  
City of Biggs  
November 1, 2016  
Pg. 4

- 5.) Review original 2006 Loan financing documents that funded various water system rehabilitation projects.
  - 6.) Compile and review costs of issuance required to complete the proposed refunding bond issue.
  - 7.) Determine if there are any direct lenders who could provide funding to refund the 2006 Loan, and if so, evaluate if their proposed refunding interest rate and estimated costs of issuance would produce better refunding results vs. using a tax exempt bond issue. If a direct lender loan was used to refund the 2006 Loan, then the bond underwriter would serve in the capacity of placement agent and would take the lead in soliciting direct lender refunding proposals.
  - 8.) Review underwriting discount requested by the bond underwriter against underwriting discounts paid by other California issuers for recently sold, similarly rated bond issues and make a written recommendation to the City regarding an appropriate underwriting discount range for the sale of the refunding bonds.
  - 9.) Represent City in negotiations with bond underwriter, regarding discount and proposed rates of interest for each maturity of the refunding bonds, to achieve the lowest possible borrowing cost, pursuant to market conditions on the date of sale.
  - 10.) Represent City in negotiations with placement agent, regarding an appropriate placement fee, if a direct lender loan was used to refund the 2006 Loan.
  - 11.) Consult with USDA staff regarding the payoff amount of the 2006 Loan, prepayment requirements and wiring instructions to pay off the 2006 Loan.
  - 12.) Review comparable bond sale data to determine that the rates and bond yields on final pricing day reflect current bond market conditions.
  - 13.) Coordinate with City staff and financing team dates for the pre-pricing and final pricing for the sale of the refunding bonds, as well as the pre-closing and closing dates.
  - 14.) Prepare memorandum summarizing the results of the bond sale to certify that the refunding bonds were sold at market rates on the day of sale.
-

Mr. Mark Sorensen  
City Administrator  
City of Biggs  
November 1, 2016  
Pg. 5

**II. FINANCIAL ADVISORY FEE**

1.) For municipal financial advisory services to be rendered by Municipal Financial Advisor under Phases I and II, the City agrees to pay a flat fee of \$35,000. Payment of this financial advisory fee by the City would be strictly contingent upon the sale and successful closing of the proposed financing.

**III. EXPENSES**

City agrees to reimburse Municipal Financial Advisor for all out of pocket expenses, if the proposed refunding bond issue closes, including but not limited to postage, delivery service, supplies, photocopies, travel, mileage, airfare, car rental, lodging, meals and the like, incurred by the Municipal Financial Advisor in the performance of duties and obligations, pursuant to this Agreement. Expenses to be billed at cost.

**IV. TERM**

1.) The term of this Agreement shall be for three (3) years from the date of execution by the City, but may be canceled without cause by either party by giving the other party thirty (30) days written notice of such cancellation.

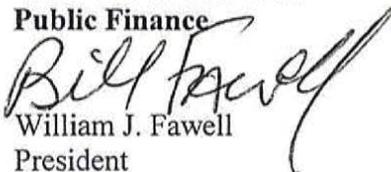
2.) It is understood that the Municipal Financial Advisor is employed in an expert financial advisory capacity only.

I appreciate the opportunity to serve the City, as described herein, and look forward to the successful completion of the proposed refunding of the 2006 Loan.

If this arrangement is satisfactory to you, please execute and return to us one copy of this Agreement..

**ACKNOWLEDGED AND ACCEPTED BY:**

**W. J. FAWELL CO.**  
**Public Finance**

  
William J. Fawell  
President

**CITY OF BIGGS, CA**

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BIGGS  
AUTHORIZING THE REFINANCING OF THE 2006 USDA LOAN, AND  
APPROVING RELATED DOCUMENTS**

**WHEREAS**, the City of Biggs (the "City") owns and operates a system for the supply, treatment and distribution of water within the service area of the City (the "Water System"), and in order to provide funds to finance improvements to the Water System, the City previously entered into a loan agreement, dated November 9, 2006, with the United States Department of Agriculture in the original principal amount of \$3,675,000 (the "2006 USDA Loan"); and

**WHEREAS**, the City desires to refund the 2006 USDA Loan via the issuance, in a public offering or in a private placement, of one or more series of revenue bonds secured by and payable from the net revenues of the Water System (the "Refunding Bonds"); and

**WHEREAS**, the City Council desires to authorize and direct City staff to enter into services contracts with consultants to the City to assist with the refinancing of the 2006 USDA Loan, appoint an underwriter or placement agent for the Refunding Bonds, and negotiate financing documents required for the issuance of the Refunding Bonds, with such financing documents to be approved by the City Council at a subsequent meeting.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Biggs as follows:

**Section 1. Authorization of Refinancing Transaction.** The City Council hereby authorizes and directs the City Administrator to proceed with the structuring and negotiation of the refinancing of the 2006 USDA Loan, in consultation with consultants to be hired by the City pursuant to this Resolution. The refinancing of the 2006 USDA Loan shall be effectuated via the issuance, in a public offering or a private placement, of the Refunding Bonds, with the final parameters governing the issuance and sale of the Refunding Bonds being subject to final approval by the City Council at a future meeting.

**Section 2. Professional Services.** In connection with the refinancing transaction described in this Resolution, the firm of W. J. Fawell Co. is hereby designated to serve as financial advisor to the City, the firm of Jones Hall, A Professional Law Corporation, is hereby designated to serve as bond counsel and disclosure counsel (as needed) to the City, and the firm of Hilltop Securities, Inc. is hereby designated to serve as underwriter or placement agent of the Refunding Bonds. Compensation to said firms shall be contingent upon the successful execution and delivery of the Refunding Bonds, and paid from a portion of the proceeds of the Refunding Bonds. The City Council hereby authorizes the execution by the City Administrator of an agreement with each of said firms, in the respective forms on file with the City Clerk, as applicable.

**Section 3. Official Actions.** Whenever in this Resolution any officer of the City is directed to execute or countersign any document or take any action, such execution,

countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

**Section 4. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

\* \* \* \* \*

The foregoing Resolution was duly and regularly introduced, passed, and adopted by the City Council of the City of Biggs at a regular meeting thereof held on the XXX day of XXXXX, 2016, by the following called vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

---

Roger Frith  
Mayor

Attest:

---

Roben Dewsnup  
City Clerk

10/6/16

**City of Biggs, CA  
2016 Refunding of 2006 USDA Loan  
Water System Rehabilitation and Replacement Projects  
Using  
Rated Tax Exempt Bond Issue**

**PRELIMINARY COST OF ISSUANCE ESTIMATE\***

<u>Description</u>	<u>Firm</u>	<u>Est. Fees</u>
Bond Counsel	Jones Hall	\$33,000
Disclosure Counsel	Jones Hall	\$20,000
Financial Advisor	W. J. Fawell Co.	\$35,000
Rating Fee		
Fiscal Agent / Trustee	TBD	\$5,000
Official Statement Printing	TBD	4,000
CDAIC Reporting Fee	State of CA-CDAIC	\$600
Overlapping Debt Statement	Cal Mpl. Statistics	\$500
Subtotal		\$98,100
Contingency		\$11,900
<b>TOTAL ESTIMATE</b>		<b>\$110,000</b>

\*Preliminary; subject to change.