SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-B**

FROM: Steve Mack, General Manager

Meeting Date: October 5, 2017

SUBJECT: APPROVAL OF : RESOLUTION 17-16, AUTHORIZING AND PROVIDING FOR A FINANCING FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS WATER FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE

AND

RESOLUTION 17-17, DECLARING ITS (SSWD'S) OFFICIAL INTENT TO REIMBURSE CERTAIN EXPENDITURES FROM THE PROCEEDS OF DEBT

RECOMMENDED ACTION: Approve Resolution 17-16 which authorizes the District to move forward with bond financing with USDA, RUS for construction of Phases 2 and 3 of the 2017 CIP and Resolution 17-17 which allows the District to use funds from the bond to reimburse itself for costs other than construction.

FISCAL IMPACT: No direct impact but the bond financing will allow the District to incur debt of approximately $1.9 million.

DISCUSSION:
The District has agreed to move forward with a USDA loan obligation to fund completion of Phases 2 and 3 of the 2017 CIP. Phases 2 and 3 of the 2017 CIP are replacement of approximately 3,500 ft of existing main and 70 services on Old River Rd at Morningside east to the eastern section of Foothill Drive near where Old River Road intersects with River Road, and includes Orchard Rd and Foothill Drive. The USDA loan obligation will have a total value of approximately $1.9 million and will have a 40 year amortization. The bond will cost the District approximately $70,000 per year.

Resolutions 17-16 is the District formal approval of moving forward with the bond financing. Resolution 17-17 allows the District to use bond proceeds to reimburse itself for expenses other than construction, such as the cost of the bond financing (bond counsel) and already spent and future engineering costs.

RESOLUTION NO.17-16

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SWEETWATER SPRINGS WATER DISTRICT AUTHORIZING AND PROVIDING FOR A FINANCING FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS WATER FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE

WHEREAS, it is necessary for the Sweetwater Springs Water District (hereinafter called the "District") to raise a portion of the cost of such undertaking by entering into an installment purchase agreement including the execution and delivery of certificates of participation in the District's installment purchase obligation, created thereunder, in the principal amount of $1,979,000, pursuant to the provisions of the California Water Code; and

WHEREAS, the District intends to obtain assistance from the United States Department of Agriculture (herein called the "Government"), acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.), in the planning, financing, and supervision of such undertaking and the purchasing of certificates of participation lawfully issued, in the event that no other acceptable purchaser for such certificates of participation is found by the District.

NOW, THEREFORE, in consideration of the premises, the Board of Directors of the Sweetwater Springs Water District hereby resolves:

1. To have prepared, on its behalf, and to adopt a resolution for the execution and delivery of installment purchase financing documents containing such items, and in such forms as are required by state statutes and as are agreeable and acceptable to the Government.

2. To refinance the unpaid balance, in whole or in part, of the certificates of participation, upon the request of the Government, if at any time it shall appear to the Government that the District is able to refinance the certificates of participation by obtaining a loan for such purposes from responsible cooperative or private sources, at reasonable rates and terms for loans for similar purposes and periods of time as required by Section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).

3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of $10,000.

4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the District. Such indemnification shall be payable from the same source of funds pledged to pay the District's installment purchase obligations or any other legal permissible source.

5. That upon default in the payments of any principal and accrued interest with respect to the certificates of participation or in the performance of any covenant or agreement contained herein, or in the instruments incident to making or insuring the loan, the Government, at its option, may (a) declare the entire principal amount, then outstanding, and accrued interest immediately due and payable, (b) for the account of the District (payable from the source of funds pledged to pay the District's installment purchase obligations or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government, and executed or assumed by the District, and default under any such instrument may be construed by the Government to constitute default hereunder.

6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so without the prior written consent of the Government.

7. Not to defease the certificates of participation, or to borrow money, enter into any contract or agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the District's installment purchase obligations.

8. To place the proceeds of the certificates of participation on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the state or federal government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.

9. To comply with all applicable state and federal laws and regulations and to continually operate and maintain the facility in good condition.

10. To provide for the receipt of adequate revenues to meet the requirements debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by the USDA. No free service or use of the facility will be permitted.

11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.

12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs, and to provide for the required audit thereof, as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time-to-time require.

13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the District is complying with the provisions hereof, and of the instruments incident to the making or insuring of the loan.

14. That if the Government requires that a reserve account be established and maintained, disbursements from that account may be used when necessary for payments due on the certificates of participation if sufficient funds are not otherwise available. With the prior written approval of the Government, funds may be withdrawn for:

a. Paying the cost of repairing or replacing any damage to the facility caused by catastrophe.

b. Repairing or replacing short-lived assets.

c. Making extensions or improvements to the facility.

Any time funds are disbursed from the reserve account, additional deposits will be required until the reserve account has reached the required funded level.

15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the District or Board of Directors.

16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.

17. The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the District as long as the certificates of participation are held or insured by the Government or assignee. The provisions of Sections 6 through 17 hereof may be provided for in more specific detail in the installment purchase financing documents; to the extent that the provisions contained in such installment purchase financing documents should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the District and the Government or assignee.

I hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted and passed by the Board of Directors of the SWEETWATER SPRINGS WATER DISTRICT, Sonoma County, California, at a meeting held on October 5, 2017, by the following vote.

Director	**Aye**	**No**
Sukey Robb-Wilder	_____	_____
Tim Lipinski	_____	_____
Richard Holmer	_____	_____
Gaylord Schaap	_____	_____
Pip Marquez de la Plata	_____	_____

_____

Sukey Robb-Wilder
President of the Board of Directors

_____

Attest: Julie A. Kenny
Clerk of the Board of Directors

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as __General Manager____ of the ____Sweetwater Springs Water District__, hereby certify that the ___Board of Directors_ of such District is composed of __5__ members, of whom _____, constituting a quorum, were present at a meeting thereof duly called and held on the _5th_ day of _October, _2017; and that the foregoing resolution was adopted at such meeting by the vote shown above. I further certify that as of _____, the date of closing of the loan from the Government, said resolution remains in effect and has not been rescinded or amended in any way.

Dated, this _____ day of _____, ____.

By: _____ _____

Name: __Stephen Mack __

Title: __General Manager____

RESOLUTION NO. 17-17

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SWEETWATER SPRINGS WATER DISTRICT DECLARING ITS OFFICIAL INTENT TO REIMBURSE CERTAIN EXPENDITURES FROM THE PROCEEDS OF DEBT

WHEREAS, Sweetwater Springs Water District (the "District") intends to provide for improvements, extensions, and additions to the municipal water system of the District, as further described in **Exhibit A**, attached hereto and incorporated herein (the "Project");

WHEREAS, the District anticipates that, for the purpose of financing the costs of the Project on a long-term basis, it will issue debt obligations;

WHEREAS, the maximum principal amount of such debt expected to be issued to finance the Project is $1,979,000 ;

WHEREAS, the District has, heretofore, and expects in the future to pay certain expenditures in connection with the Project prior to the issuance of the debt; and

WHEREAS, in order to obtain favorable treatment of the expenditures of the proceeds of the debt used to reimburse the District's prior expenditures, Treasury Regulations section 1.150-2 requires the District to declare its reasonable official intent to reimburse such prior Project expenditures with the proceeds of debt.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the District as follows:

1. Findings

. The Board of Directors hereby finds and determines that the foregoing recitals are true and correct.

2. Official Intent

. The District hereby states that it reasonably expects to reimburse its expenditures on Project costs with proceeds of debt to be incurred by the District. The foregoing statement is a declaration of official intent that is made under and only for the purpose of establishing compliance with the requirements of Treasury Regulations section 1.150-2. This resolution does not bind the District to make any expenditure on the Project or to incur any debt for the Project.

3. Authority to Declare Official Intent

. The Board of Directors designates the District Manager as the officer of the District who is authorized, individually, to declare official intent, on behalf of the District, regarding reimbursement of prior expenditures with debt proceeds for purposes of compliance with Treasury Regulations section 1.150-2 and any successor thereto.

4. Additional Acts

. The officers of the District are hereby authorized and directed, individually and collectively, to do any and all things and to execute, deliver and perform any and all agreements and documents that they deem necessary or advisable in order to effectuate the purposes of this resolution. All actions, heretofore, taken by the officers of the District that are in conformity with the purposes and intent of this resolution are hereby ratified, confirmed and approved in all respects.

5. Effective Date

. This resolution shall take effect from and after its adoption.

I hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted and passed by the Board of Directors of the SWEETWATER SPRINGS WATER DISTRICT, Sonoma County, California, at a meeting held on October 5, 2017, by the following vote.

Director	Aye	No
Sukey Robb-Wilder	_____	_____
Tim Lipinski	_____	_____
Richard Holmer	_____	_____
Gaylord Schaap	_____	_____
Pip Marquez de la Plata	_____	_____

_____

Sukey Robb-Wilder
President of the Board of Directors

_____

Attest: Julie A. Kenny
Clerk of the Board of Directors

Exhibit A

(Project List)

Improvements to the Sweetwater Springs Water District water system. Improvements include replacement of approximately 3,500 ft of existing main and 70 services on Old River Rd at Morningside east to the eastern section of Foothill Drive, Orchard Rd, Foothill Drive and River Rd on river side of the road, and the installation of fire hydrants.