

MINUTES OF THE REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF
YREKA HELD IN SAID CITY ON MARCH 21, 2019

On the 21ST day of March 2019, the City Council of the City of Yreka met in the City Council Chambers of said City in regular session, and upon roll call, the following were present: Deborah Baird, Joan Smith Freeman, Duane Kegg, Paul McCoy, and Norman Shaskey.
Absent - None.

Mayor Freeman announced that the Closed Session has been pulled from the agenda.

Consent Calendar: Mayor Freeman announced that all matters listed under the consent calendar are considered routine and will be enacted by one motion unless any member of the Council wishes to remove an item for discussion or a member of the audience wishes to comment on an item:

- a. Approval/ratification of payments issued from March 8, through March 21, 2019.
- b. Approval of Minutes of the meeting held March 7, 2019.
- c. Acknowledge receipt of 2018 General Plan Annual Housing Element Progress Report.

Following Council discussion, Councilmember McCoy moved to approve the items on the consent calendar as submitted.

Councilmember Kegg seconded the motion, and upon roll call, the following voted YEA: Baird, Freeman, Kegg, McCoy and Shaskey.

Mayor Freeman thereupon declared the motion carried.

Adopt Resolution # 2019-11 approving requests associated with the Special Event of Mechanics Bank, known as the Summer Concerts in the Park.

Laura O'Ray, Regional Marketing Coordinator of Mechanics Bank, addressed the Council to answer any questions regarding this year's event.

Following Council discussion, Councilmember Shaskey moved to adopt the Resolution as submitted.

Councilmember Kegg seconded the motion, and upon roll call, the following voted YEA: Baird, Freeman, Kegg, McCoy and Shaskey.

Mayor Freeman thereupon declared the motion carried

Adopt Resolution # 2019-9 authorizing the County of Siskiyou to submit a Household Hazardous Waste Regional Grant Application on behalf of the County of Siskiyou as Lead Agency and the City of Yreka as one of the eligible participating agencies.

City Manager Steve Baker reported that the Department of Resources Recycling and Recovery (CalRecycle) administers a program to provide opportunities for the local governments in implementing safe Household Hazardous Waste (HHW) programs for collection, public education, source reduction, reuse and/or recycling of household hazardous waste. CalRecycle has opened the 2019-20 HHW Grant Cycle HD33. Eligible applicants for this grant include cities as well as counties. \$50,000 is the maximum award for individual applications, however, two or more eligible jurisdictions may join together in a regional grant application, which increases the maximum award to \$100,000.

The County of Siskiyou has invited us to join in the submittal of a Household Hazardous Waste Grant Program Regional Application. The County, as Lead Agency, would be responsible for grant implementation and all reporting requirements.

The City is currently participating in three other CalRecycle Regional Grants with the County of Siskiyou, known as the “Waste Tire Amnesty Grant”, “Beverage Container Recycling Grant”, and the “Used Oil Recycling Grant”. This partnership with the County of Siskiyou and other eligible cities within the County has proven to be a valuable opportunity for the citizens of Siskiyou County to reduce, recycle and reuse solid waste generated, and preserving landfill capacity.

Following Council discussion, Councilmember Kegg moved to adopt the Resolution as submitted.

Councilmember Baird seconded the motion, and upon roll call, the following voted YEA: Baird, Freeman, Kegg, McCoy and Shaskey.

Mayor Freeman thereupon declared the motion carried

Adopt Resolution # 2019-10 approving the issuance of Series 2019 Certificates of Participation for the purpose of financing a portion of the cost of acquiring, construction, furnishing and equipping the new City of Yreka Police Station; and in connection therewith, authorizing and directing execution of a Site and Facilities Lease, a Lease Agreement, a Memorandum of Lease Agreement, a Trust Agreement, a Purchase Offer and an Assignment Agreement; and authorizing a Lease Financing with the Siskiyou County Job Council, and approving related documents and official actions.

Along with the Resolution and related documents, Finance Director Rhetta Hogan provided the Council with the following report outlining the financing process:

On September 7, 2017, City Council adopted Resolution No. 2017-32 setting forth Council’s intention to proceed with the acquisition and construction of certain facilities to serve as the new City of Yreka Police Station (the “New Police Station”) and to reimburse itself for such costs from the issuance of tax-exempt certificates of participation.

The construction of the New Police Station is now complete, and it is therefore necessary and appropriate for the City to follow through with the “take-out” financing of the New Police Station

and reimburse itself for the corresponding construction costs advanced to date. The take-out financing is coming from the United States Department of Agriculture (USDA) in the form of Series 2019 Certificates of Participation (Police Station Project), Bank Qualified, in an aggregate amount of not to exceed Two Million Seven Hundred Thousand Dollars (the "Certificates"). The Certificates will bear interest at a rate of 3.5%, and will be repaid semi-annually over a 40-year fully amortizing term, which equates to annual debt service of approximately \$140,000.

The Certificates are being issued pursuant to the terms and condition of a Trust Agreement (the "Trust Agreement"), dated as of April 1, 2019, by and among the Siskiyou County Job Council (the "Corporation"), the City and the Finance Director of the City of Yreka, as trust administrator (the "Trust Administrator") thereunder.

In accordance with the State of California Constitution, and as necessary to provide security for the repayment of the Certificates, the City has agreed pursuant to the Site Lease referenced in the subject resolutions (the "Site Lease"), to lease the real property upon which the New Police Station was built (the "Site") along with the New Police Station to the Corporation. The Corporation has in turn agreed pursuant to the Lease Agreement referenced in the subject resolutions (the "Lease Agreement") to sublease the Site (along with the New Police Station) back to the City in exchange for the City's promise to make annual rental payments (the "Rental Payments") to the Corporation for the City's use and occupancy of the New Police Station. The Rental Payments are being assigned by the Corporation to the Trust Administrator pursuant to an Assignment Agreement referenced in the subject resolutions (the "Assignment Agreement") which Rental Payments are then paid by the Trust Administrator directly to USDA.

Although USDA documents and materials sometimes use terminology such as "loan" or "loaning" to describe its method of financing, in actuality, pursuant to federal rules and regulations as well as USDA's own internal mandates, it is necessary that the "loan" actually be structured as tax-exempt municipal bond obligations (i.e., municipal securities) that are purchased by (not loaned to) USDA at the time of closing. The City hired The Weist Law Firm, Los Gatos, California, as bond counsel to assist the City in properly documenting the transaction and in assuring compliance with all associated State and federal rules and regulations.

SUMMARY OF THE RESOLUTION

The subject resolution essentially authorize and approve the form of all the base legal documents (the "Financing Documents") necessary to provide for the successful issuance of the Certificates. The adoption of each Resolution is a legal prerequisite to allow for the completion of the appropriate documentation necessary for the USDA/Certificates finalization. The accompanying Financing Documents comprise a financing structure that is considered standard for California cities to legally incur debt secured by general fund revenues, and is acceptable to USDA, as the purchaser of the Certificates. In using this financing structure, a lease arrangement must be

established with a third-party governmental entity. The Corporation is being used to serve this purpose for this financing transaction.

SUMMARY OF FINANCING DOCUMENTS

The Financing Documents are being presented to the City Council as “form-only documents.” The actual final forms cannot be produced at this time because the exact amounts, dates, and certain other information will not be known until the actual sale date. The subject resolutions authorize and direct certain City officers and staff to finalize the Financing Documents as and when appropriate, and to do all things necessary to provide for the issuance of the Certificates, which is expected to occur sometime within the next couple of months. If the final terms for any reason should fall outside of expected parameters, staff will return for further direction before finalizing the transaction, although staff presently has no reason to believe that this will occur.

The Financing Documents can be succinctly summarized as follows: The Certificates are sold directly to USDA and the proceeds from the sale of the Certificates are used to reimburse the City for advanced project costs up to \$2.7 million dollars. Pursuant to the Lease Agreement the City is leasing the New Police Station from the Corporation in exchange for making semi-annual Rental Payments which are assigned to the Trust Administrator (which role is being served by the City Finance Director), who then makes corresponding semi-annual debt service payments directly to USDA. The proposed Certificates are structured as tax-exempt obligations and are pre-payable at any time without penalty.

The Financing Documents, and a brief description of each, is as follows:

1. Site Lease: This is an agreement between the City and Corporation, which agreement provides the mechanism of leasing the Site and New Police Station to the Corporation so that they can be leased back pursuant to the Lease Agreement.
2. Lease Agreement: This agreement provides for the lease of the Site and New Police Station back to the City in exchange for Rental Payments commensurate with the debt service on the Certificates. Under the Lease Agreement the City is pledging its general fund to make the annual Rental payments for the 40-year term of the Certificates.

This document, among other things, provides the following:

- That the City must include Rental Payments due each Fiscal Year in each corresponding annual budget and to make the necessary annual appropriations for all such annual Rental Payments.
- That the City must, at its sole cost and expense, keep and maintain the New Police Station in a clean, safe and good condition and repair.
- That the City shall have the option at any time to substitute other real property in place

of the New Police Station property (i.e., the City has the right to substitute the collateral of the lease transaction), provided that the City is able to first satisfy all of the requirements set forth in Section 7 of the Lease Agreement.

- That the City must procure and maintain throughout the term of the financing, the insurance set forth in Section 9 of the Lease Agreement.
- That the obligation of the City to pay Rental Payments shall be abated during any period in which by reason of any damage, destruction or condemnation there is substantial interference with the use and occupancy of the New Police Station or any portion thereof by the City.
- That upon termination or expiration of the Lease Agreement, and the first date upon which the Certificates are no longer outstanding, all right, title and interest in and to the New Police Station shall vest in the City.
- That the Corporation covenants that, prior to the discharge of the Lease Agreement and the Certificates, it will diligently maintain its status as a 501(c)(3) nonprofit corporation, and will not engage in any activities inconsistent with the purposes for which the Corporation is organized.

3. Trust Agreement: Another key legal agreement that provides for execution and delivery of the Certificates to USDA in exchange for proceeds in the par amount thereof, and further lays out the covenants and specifics of the Certificates, as well as the Trust Administrator's (which role is being served by the City Finance Director) duties, repayment mechanisms, default and remedies provisions, and USDA's associated rights and remedies.

4. Assignment Agreement: This agreement provides the terms and conditions under which the Corporation assigns the City's Rental Payments to the Trust Administrator, for ultimate payment to the USDA.

5. Purchase Offer: The City will sell the Certificates to USDA pursuant to the terms of the Purchase Offer. The Purchase Offer states the conditions under which USDA will purchase the Certificates and requires the City and Corporation to deliver all the duly authorized and executed documents and opinions at closing. The City also covenants that there is no material litigation against the City which would impair its ability to make Rental Payments or affect the Certificates. The sale is scheduled in accordance with the parameters described above.

The City has already acquired and constructed the New Police Station, and the proposed issuance of Certificates is specifically designed to reimburse the City for monies advanced up to \$2.7 million. The Certificates are to be repaid over 40 years at an interest rate that is expected to be 3.5%, with annual debt service being approximately \$140,000.

Cameron Weist of The Weist Law Firm, representing the City as Bond Counsel, addressed the Council to answer any questions regarding the issuance of the Certificates of Participation and the financing process.

Following Council discussion, Councilmember McCoy moved to adopt the Resolution as submitted.

Councilmember Shaskey seconded the motion, and upon roll call, the following voted YEA: Baird, Freeman, Kegg, McCoy and Shaskey.

Mayor Freeman thereupon declared the motion carried.

Adopt Resolution # 2019-12 (replacing Resolution No. 2018-2), decreasing the principal amount of the loan to \$2,700,000.00 A Resolution of the City Council of the City of Yreka authorizing and providing for the incurrence of indebtedness for the purpose of providing a portion of the cost of acquiring, constructing, enlarging, improving, and/or extending its Yreka Police Department New Station Retrofit Project Facility to serve an area lawfully within its jurisdiction to serve.

Following Council discussion, Councilmember Shaskey moved to adopt the Resolution as submitted.

Councilmember Kegg seconded the motion, and upon roll call, the following voted YEA: Baird, Freeman, Kegg, McCoy and Shaskey.

Mayor Freeman thereupon declared the motion carried

ADJOURNMENT There being no further business before the Council the meeting was adjourned.

Attest:

Joan Smith Freeman, Mayor
Minutes approved by Council
Motion April 4, 2019

Elizabeth E. Casson, City Clerk