



AGENDA

Please turn off all cell phones while meeting is in progress.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT
27800 STALLION SPRINGS DRIVE, TEHACHAPI, CA 93561

BOARD OF DIRECTORS SPECIAL BOARD MEETING
FRIDAY, MAY 25, 2018 7:30 am

OPEN SESSION

Call to Order

This meeting is held in accordance with the Brown Act. Individuals may address the Board on any matter listed on this agenda, excluding CLOSED SESSION. Members of the audience desiring to address the Board must approach the podium and request recognition from the Board President. Presentation by the audience is limited to three minutes per agenda item.

Roll Call:

Directors present:

Directors absent:

Flag Salute

- 1) **Reserved for President's Comments and Addendum.**
- 2) **PUBLIC PRESENTATIONS** – This portion of the meeting is reserved for persons desiring to address the Board on any matter not on this agenda and over which this Board has jurisdiction. "Please be advised however, the Brown Act prohibits action on items that are not listed on the Agenda, or properly added to the Agenda under the provisions of the Brown Act. The Board may set such items for consideration at some future Board meeting." Speakers are limited to three (3) minutes. PLEASE STEP TO THE PODIUM TO MAKE YOUR PRESENTATION. STATE YOUR NAME AND ADDRESS FOR THE RECORD, before making your presentation. Thank you.
- 3) **BOARD MEMBER ITEMS** – This portion of the meeting is reserved for Directors to present to the Board and to the public, information, announcements and items that have

come to their attention. No formal action will be taken. A Board member may request that an item be placed, for consideration, at a future Board meeting.

- 4) Board Approval of Resolution No. 2018-15, a Resolution of the Board of Directors of the Stallion Springs Community Services District authorizing the execution and delivery of an installment sale agreement for road improvements, authorizing and directing certain actions in connection with acquisition and construction of road improvements, and adopting debt issuance and management policies.
- 5) Motion to Adjourn

ADA compliance statement: In compliance with the Americans with Disability Act, if you need special assistance to participate in this meeting, please contact the General Manager, David Aranda, at 661-822-3268. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

Posted May 23, 2018



STALLION SPRINGS COMMUNITY SERVICES DISTRICT

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AGENDA SUPPORTING INFORMATION

Agenda #4

Subject: Board Approval of Resolution No.2018-15 a Resolution of the Board of Directors of the Stallion Spring Community Services District Authorizing the Execution and Delivery of an Installment Sale Agreement for Road Improvements, Authorizing and Directing Certain Actions in Connection with the Acquisition and Construction of Road Improvements, and Adopting Debt Issuance and Management Policies

Submitted by: David Aranda, General Manager

Meeting Date: May 25, 2018

Background: The Stallion Springs Community Services District (the “District”) received a proposal from Municipal Finance Corporation (the “Corporation”) to assist the District with financing two much-needed public road improvement project involving overlays, thin blade overlays, sealing and oiling (the “Roads Project”). The Corporation works with City National Bank (the “Bank”) to assist the District in financing the Roads Project. If approved, the District is ready to move forward at this time with an agreement to finance the Roads Project (the “Roads Agreement”), the form of which is on file with the District’s Secretary and is being presented to the Board as an attachment to this staff report.

In addition, in September of 2016, Senate Bill No. 1029 was adopted, which now requires public agencies (such as the District) to adopt a Debt Issuance and Management Policy (the “Policy”) in accordance with Government Code section 8855. A form of the Policy is attached as Exhibit A to the Resolution and this staff report.

Roads Agreement: The District currently imposes an assessment to pay for the cost of its roads. In order to finance the Roads Project, the District will be required to enter into the Roads Agreement. Pursuant to the Roads Agreement, the Corporation will make a loan to the District through City National Bank, and the District will be required to repay the loan through installment payments to the Corporation, which equals the total interest and

principal due in each year on the loan. The District is agreeing to pledge its roads enterprise fund, which includes the revenues from the roads assessment and other related revenue relating to upkeep of the District's roads, and the Roads Agreement will constitute a first lien on such revenues and funds. The installment payments are being assigned to City National Bank as financier of the loan.

The term of the Roads Agreement will not exceed ten years from the date of the first installment payment. The installment payments due under the Roads Agreement will not exceed the principal amount of \$1,500,000, and the interest rate will not exceed 3.75%. This means that the District will be required to pay a maximum of \$326,420.10 in interest payments, and a maximum of \$1,826,420.10 total. The District will be required to make ten equal installment payments of \$182,642.01 each. The installment payments are assigned to City National Bank, who is funding the loan.

The District and the Corporation are ready to close the Roads Agreement, and can fund as early as May 29, 2018 provided the terms of the Roads Agreement do not change outside of the parameters approved in the attached Resolution and form of Roads Agreement.

Debt Issuance and Management Policies: In September of 2016, the California Legislature enacted Senate Bill No. 1029 which amended Government Code section 8855. As amended, Government Code section 8855 requires that the District adopt a debt issuance and management policy prior to issuing any debt. Prior to entering into the Roads Agreement, the Policies attached to the Resolution as Exhibit A, which meet the requirements of SB 1029, must be adopted.

Conclusion: By approving the attached resolution, the District is agreeing to the terms of the Roads Agreement, including all covenants, warranties, and representations included therein. A copy of the Roads Agreement, as well as the remainder of the financing documents, has been presented to the Board at this meeting and is also available with the Secretary of the Board for review. Approving the resolution will also authorize the President of the Board, as well as certain District staff, to execute any and all additional documents necessary to consummate this transaction within the limitations provided in the resolution. Finally, approving this Resolution will also approve the Policies as required under Government Code section 8855, as amended by SB 1029.

Recommendation: Adoption of Resolution No. 2018-15 Authorizing the Execution and Delivery of an Installment Sale Agreement for Road Improvements, Authorizing and Directing Certain Actions in Connection with the Acquisition and Construction of Road Improvements, and Adopting Debt Issuance and Management Policies.

Attachments: 1. Resolution No. 2018-15
2. Form of Roads Agreement

**BEFORE THE BOARD OF DIRECTORS OF THE
STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

Resolution No. 2018-15

RE: A RESOLUTION OF THE BOARD OF DIRECTORS OF STALLION SPRINGS COMMUNITY SERVICES DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT SALE AGREEMENT FOR ROAD IMPROVEMENTS, AUTHORIZING AND DIRECTING CERTAIN ACTIONS IN CONNECTION WITH THE ACQUISITION AND CONSTRUCTION OF ROAD IMPROVEMENTS, AND ADOPTING DEBT ISSUANCE AND MANAGEMENT POLICIES

WHEREAS, the Stallion Springs Community Services District (the "District") is a public agency duly organized and existing under and pursuant to the laws of the State of California; and

WHEREAS, the District desires to provide for financing in a principal amount not-to-exceed \$1,500,000.00 for the acquisition and construction of road improvements (the "Road Projects"); and

WHEREAS, Municipal Finance Corporation (the "Corporation") has proposed a cost-effective ten year installment sale financing arrangement for the Road Projects, pursuant to an Installment Sale Agreement, a form of which has been presented to the Board of Directors and is on file with the District's Secretary, and the Board now desires to approve said form of Installment Sale Agreement and the financing contemplated therein; and

WHEREAS, in September of 2016, the California Legislature enacted Senate Bill No. 1029 which amended Government Code section 8855; and

WHEREAS, Government Code section 8855 requires that the District adopt a debt issuance and management policy prior to issuing new debt; and

WHEREAS, the District's Board of Directors further wishes to adopt the Debt Issuance and Management Policies attached hereto as Exhibit A, which complies with the requirements of Government Code section 8855 as amended by Senate Bill No. 1029;

NOW, THEREFORE, it is resolved by the Board of Directors of the Stallion Springs Community Services District as follows:

SECTION 1. Roads Installment Sale Agreement. The President of the Board of Directors, the General Manager or a designee in writing is hereby authorized to enter into an Installment Sale Agreement for the Road Projects (the "Roads Installment Sale Agreement") with the Corporation to finance the Road Projects. The amount financed under the Roads Installment Sale Agreement shall not exceed the maximum principal amount of \$1,500,000, and shall bear interest at a rate not to exceed 3.75%. The

President of the Board of Directors, the General Manager, the Secretary, or their designees, are authorized and directed to take all steps and actions which are necessary to accomplish execution of the Roads Installment Sale Agreement pursuant to the authorization given by and the conditions specified in this resolution. The President, or a Director designated by the President, or the General Manager, are authorized to execute the Roads Installment Sale Agreement on behalf of the District.

SECTION 2. Approval of Roads Installment Sale Agreement. The Board of Directors approves and authorizes the District to enter into the Roads Installment Sale Agreement in the form presented to the Board of Directors at the meeting at which this resolution is adopted, together with any changes therein or additions thereto which are deemed advisable by the General Manager, or his designee, in consultation with general counsel to the District.

SECTION 3. Attestations. The Secretary of the Board or other appropriate District officer is hereby authorized and directed to attest the signature of the President of the Board of Directors, the General Manager or of such other person or persons as may have been designated by the President of the Board of Directors or the General Manager, and to affix and attest the seal of the District, as may be required or appropriate in connection with the execution and delivery of the Roads Installment Sale Agreement and the Wastewater Installment Sale Agreement.

SECTION 4. Authorization to Establish Projects Funds. The Board of Directors hereby authorizes and directs the President of the Board, the General Manager or a designee in writing to make appropriate arrangements to establish a special fund for the Road Projects into which the proceeds of the Roads Installment Sale Agreement are deposited for the purpose of paying the costs of the Road Projects, and a separate special fund for the Wastewater Projects into which the proceeds of the Wastewater Installment Sale Agreement are deposited for purpose of paying the costs of the Wastewater Projects.

SECTION 5. Other Actions. The President of the Board of Directors, the General Manager and other officers of the District are each hereby authorized and directed, jointly and severally, to take any and all actions and to execute and deliver any and all documents, agreements and certificates which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms of this Resolution and the Installment Sale Agreements. Such actions are hereby ratified, confirmed and approved.

SECTION 6. Qualified Tax-Exempt Obligations. The Installment Sale Agreements are hereby designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The District, together with all subordinate entities of the District, do not reasonably expect to issue during the calendar year in which the Installment Sale Agreements are to be issued more than \$10,000,000 of obligations which it could designate as "qualified tax-exempt obligations" under Section 265(b) of the Code.

SECTION 7. Debt Issuance and Management Policies. The Debt Issuance and Management Policy attached as Exhibit A to this Resolution is adopted.

SECTION 8. Effect. This Resolution shall take effect immediately upon its passage.

PASSED, APPROVED AND ADOPTED this 25th day of May, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Ed Gordon, President
Board of Directors

Attest:

Vanessa Stevens, Secretary
Board of Directors

Exhibit "A"
STALLION SPRINGS COMMUNITY SERVICES DISTRICT
DEBT ISSUANCE POLICIES & PROCEDURES

Authorized Purposes for the Issuance of Debt

The Stallion Springs Community Services District (the "District") may issue debt for any of the following purposes:

1. To pay for the cost of capital improvements, including acquiring, constructing, reconstructing, rehabilitating, replacing, improving, extending, enlarging, and/or equipping District facilities
2. To refund existing debt
3. To provide for cash flow needs

Authorized Types of Debt

The General Manager or designee shall recommend to the Board potential financing method(s) that result in the highest benefit to the District, with the cost of staff and consultants considered. Potential financing sources may include:

1. Short-Term Debt
 - a. Short-term debt, such as TRANs, when necessary to allow the District to meet its cash flow requirements.
 - b. Bond anticipation notes (BANs) to provide interim financing for capital bond projects that will ultimately be paid from general obligation bonds, special assessments, or special tax bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982 or other funding sources that are reasonably available to meet the District's repayment requirements.
 - c. Grant anticipation notes (GANs) to provide interim financing pending the receipt of grants and/or loans from the state or federal government that have been appropriated and committed to the District.
2. Long-Term Debt
 - a. General obligation bonds for projects approved by voters.
 - b. Special tax bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982.
 - c. Special Assessment Bonds.
3. Lease financing and Installment Sale Agreements, including certificates of participation (COPs) and Lease Revenue Bonds (LRBs)

- a. To fund priority capital equipment purchases when pay-as-you-go financing is not desirable.
 - b. To fund facilities projects when there is insufficient time to obtain voter approval or in instances where obtaining voter approval is either not practical or unavailable.
4. Special financing programs or structures offered by the federal or state government, or other tax credit obligations or obligations that provide subsidized interest payments, when the use of such programs or structures is determined to result in sufficiently lower financing costs compared to traditional tax-exempt bonds and/or COPs.
 5. Temporary borrowing from other sources.

Relationship of Debt to District Facilities Program and Budget

Decisions regarding the issuance of debt for the purpose of financing capital improvement shall be aligned with current needs for acquisition, development, and/or improvement of District property and facilities as identified in the District's facilities master plan or other applicable needs assessment, the projected costs of those needs, schedules for the projects, and the expected resources.

The cost of debt issued for major capital repairs or replacements shall be evaluated against the potential cost of delaying such repairs and/or replacing such facilities.

When considering a debt issuance, the District may evaluate both the short-term and long-term implications of the debt issuance and additional operating costs associated with the new projects involved. Such evaluation may include the tax burden on the District's taxpayers; the effect of annual debt service secured by the general fund on general fund expenditures; the amortization structure, prepayment features, and useful life of the projects being financed (for further information see "Structure of Debt Issues" below).

The District may enter into credit enhancement agreements such as municipal bond insurance, surety bonds, letters of credit, and lines of credit with commercial banks, municipal bond insurance companies, or other financial entities when their use is judged to lower borrowing costs, eliminate restrictive covenants, or have a net economic benefit to the financing.

Structure of Debt Issues

The District shall consider the overall impact of the current and future debt burden of the financing when determining the duration of the debt issue.

The District shall design the financing schedule and repayment of debt so as to take best advantage of market conditions, ensure cost-effectiveness, provide flexibility, and, as practical, recapture or maximize its debt capacity for future use. Principal

amortization will be structured to meet resources available for debt repayment and flexibility goals.

For debt issuances for capital improvements, the District shall size the debt issuance with the aim of funding capital projects as deemed appropriate by the Board and consistent with the overall financing plan.

To the extent practicable, the District shall also consider credit issues, market factors, and tax law when sizing the District's debt issuance. The sizing of refunding bonds shall be determined by the amount of money that will be required to cover the principal of, any accrued interest on, and any redemption premium for the debt to be paid on the call date and to cover appropriate financing costs.

Any tax-backed debt issued by the District shall mature within the term required by law.

The final maturity of equipment or real property lease obligations will be limited to the useful life of the assets to be financed.

Method of Sale

For the sale of any District-issued debt, the District shall recommend the method of sale with the potential to achieve the lowest financing cost and/or to generate other benefits to the District. Potential methods of sale include:

1. A competitive bidding process through which the award is based on, among other factors, the lowest offered true interest cost.
2. Negotiated sale, subject to approval by the District to ensure that interest costs are in accordance with comparable market interest rates.
3. Direct loans and private placement sale. A direct loan with the District's depository bank can be used when the terms, financing costs, and relationship make the direct loan the most cost-effective and favorable option. A private placement may be used as an alternative when the terms of the private placement are more beneficial to the District than a direct loan, or negotiated or competitive sale.

Investment of Proceeds

The District shall actively manage the proceeds of debt issued for public purposes in a manner that is consistent with state law governing the investment of public funds and with the permitted securities covenants of related financing documents executed by the District. Where applicable, the District's official investment policy and legal documents for a particular debt issuance shall govern specific methods of investment of bond-related proceeds. Preservation of principal shall be the primary goal of any investment strategy, followed by the availability of funds and then by return on investment.

The management of public funds shall enable the District to respond to changes in markets or changes in payment or construction schedules so as to ensure liquidity and minimize risk.

Refunding/Restructuring

The District may consider refunding or restructuring outstanding debt generate financial savings and efficiency, eliminate restrictive debt/legal covenants, restructure the stream of debt service payments, or to achieve other policy. When doing so, the District shall consider the maximization of the District's expected net savings over the life of the debt issuance.

Goals of Debt Management Policy

The District's debt issuance activities and procedures shall be aligned with the District's vision, mission and core values. When issuing debt, the District shall ensure that it:

1. Maintains accountability for the fiscal health of the District, including prudent management and transparency of the District's financing programs
2. If applicable, pursues the best possible credit rating for each debt issue in order to reduce interest costs, within the context of preserving financial flexibility and meeting capital funding requirements.
3. Takes all practical precautions and proactive measures to avoid any financial decision that will negatively impact current credit ratings on existing or future debt issues.
4. Maintains effective communication with rating agencies and, as appropriate, credit enhancers such as bond insurers or other providers of credit or liquidity instruments in order to enhance the creditworthiness, liquidity, or marketability of the debt.
5. Monitors the District's statutory debt limit in relation to assessed valuation within the District and the tax burden needed to meet long-term debt service requirements
6. When determining the timing of debt issuance, considers market conditions, cash flows associated with repayment, and the District's ability to expend the obtained funds in a timely, efficient, and economical manner consistent with federal tax laws
7. Determines the amortization (maturity) schedule which will fit best within the overall debt structure of the District at the time the new debt is issued
8. Considers the useful lives of assets funded by the debt issue, as well as repair and replacement costs of those assets to be incurred in the future
9. Preserves the availability of the District's general fund for operating purposes and other purposes that cannot be funded by the issuance of voter-approved debt.
10. Meets the ongoing obligations and accountability requirements associated with

the issuance and management of debt under state and federal tax and securities laws.

Internal Controls

The District shall establish internal control procedures to ensure that the proceeds of any debt issuance are directed to the intended use. Such procedures shall assist the District in maintaining the effectiveness and efficiency of operations, properly expending funds, reliably reporting debt incurred by the District and the use of the proceeds, complying with all laws and regulations, preventing fraud, and avoiding conflict of interest.

The District shall be vigilant in using bond proceeds in accordance with the stated purposes at the time such debt was incurred as defined in the text of the voter-approved bond measure.

When feasible, the District shall issue debt with a defined revenue source in order to preserve the use of the general fund for general operating purposes.

In addition, the District shall ensure that it completes, as applicable, all performance and financial audits that may be required for any debt issued by the District, including disclosure requirements applicable to a particular transaction.

Records/Reports

No later than 30 days prior to the sale of any debt issue, the District shall submit a report of the proposed issuance to the California Debt and Investment Advisory Commission. The report of the proposed debt issuance shall include a certification by the District that it has adopted local debt policies concerning the use of debt and that the contemplated debt issuance is consistent with those local debt policies.

No later than 21 days after the sale of the debt, the District shall submit a report of final sale to the California Debt and Investment Advisory Commission. A copy of the final official statement for the issue shall accompany the report of final sale. If there is no official statement, the District shall provide each of the following documents, if they exist, along with the report of final sale:

- Other disclosure document.
- Indenture.
- Installment sales agreement.
- Loan agreement.
- Promissory note.
- Bond purchase contract.
- Resolution authorizing the issue.
- Bond specimen.

The District shall submit an annual report for any issue of debt for which it has submitted a report of final sale on or after January 21, 2017. The annual report shall cover a reporting period from July 1 to June 30, inclusive, and shall be submitted no later than seven months after the end of the reporting period. The annual report shall

consist of the following information:

- Debt authorized during the reporting period, which shall include the following: (1) Debt authorized at the beginning of the reporting period; (2) Debt authorized and issued during the reporting period; (3) Debt authorized but not issued at the end of the reporting period; and (4) Debt authority that has lapsed during the reporting period.
- Debt outstanding during the reporting period, which shall include the following: (1) Principal balance at the beginning of the reporting period; (2) Principal paid during the reporting period; and (3) Principal outstanding at the end of the reporting period.
- The use of proceeds of issued debt during the reporting period, which shall include the following: (1) Debt proceeds available at the beginning of the reporting period; (2) Proceeds spent during the reporting period and the purposes for which is was spent; and (3) Debt proceeds remaining at the end of the reporting period.

END