

**TOWN OF
APPLE VALLEY, CALIFORNIA**

AGENDA MATTER

Subject Item:

NORTH APPLE VALLEY INFRASTRUCTURE FINANCING PLAN

Background:

The Council is aware that job creation and financing much needed infrastructure has been the direction of the Town Council since the adoption of the NAVISP, but particularly since the implosion of the economy which became very apparent in 2008. The adopted 2010/2010 Redevelopment Agency budget assumed the Agency would pick up the lion's share of any proposed public financing, but the state take of redevelopment funds, including almost \$4 million from the Apple Valley Redevelopment Agency, has necessitated a fundamental change in the approach of staff regarding the identification of funding for the necessary water and sewer infrastructure in north Apple Valley. After much consideration, staff has developed a multi-pronged approach that, if successful, would employ funds from the Federal and state governments, the Town's sewer fund and the redevelopment fund.

(Continued on next page)

Recommended Action

That the Town Council, Redevelopment Agency and Apple Valley Financing Authority adopt the following resolutions:

- 1) Resolution Number 2010-42 of The Town Council of The Town of Apple Valley Approving The Submittal Of An Application For Allocation For Recovery Zone Economic Development Build America Bonds To Finance Water Mains And Sewer Infrastructure Improvements In The North Apple Valley ISP Area Through The Issuance, Sale And Delivery of Wastewater Revenue Bonds To Be Issued By The Apple Valley Public Financing Authority
- 2) Resolution Number 2010-03 of The Redevelopment Agency of The Town of Apple Valley Authorizing The Preparation of A Loan Agreement For The Loan of Proceeds of The Apple Valley Public Financing Authority Wastewater Revenue Bonds, Series 2010 To The Agency To Finance Water Mains And Sewer Infrastructure Improvements In The North Apple Valley Area
- 3) Resolution Number 2010-01 of The Apple Valley Public Financing Authority Indicating The Intent To Issue Its Wastewater Revenue Bonds, Series 2010 To Assist In Financing Water Mains And Sewer Infrastructure Improvements In The North Apple Valley Area

And

- 4) That the Town Council appropriate and allocate the anticipated revenue from the dissolution of County Service Area No. 17 to the North Apple Valley Infrastructure Financing Plan.

Proposed by Economic Development & Housing Div.

Item Number _____

T. M. Approval: _____

Budgeted Item Yes No N/A

North Apple Valley Infrastructure Financing Plan (Continued)
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The urgency associated with this item is related to an August 15, 2010 deadline for applications to be submitted to the state of California for economic stimulus funds that cannot be used by the County of San Bernardino. The County received \$46,093,000 for Recovery Zone Economic Development Bonds (RZEDB) to provide interest rate subsidies to eligible publicly-financed projects. It will be unable to use approximately \$18,000,000 million of the \$46,093,000 allocation, and recently notified all County cities of the availability of these funds. With Council approval, staff will be submitting to the state a request for \$15 million of the County's RZEDB allocation. If successful, the proceeds of this application will be used to subsidize 45% of the interest rate of wastewater and redevelopment bonds the Council/Agency/Finance Authority may issue in the future to bring about the installation of water and sewer infrastructure improvements in north Apple Valley. To the best of staff's knowledge, Apple Valley is the only municipality pursuing these funds.

Staff consulted with the County and state officials, bond counsel and our bond underwriter/Financial Advisor regarding feasibility and project eligibility issues. Based upon these discussions, it was determined that this matter would be added to the Town Council agenda, with the understanding that the related resolutions and staff report would likely be delivered to the Town Council after it had received its regular agenda for the August 10th meeting. It is noted that staff is requesting Council approval to submit various applications and attendant documentation as required. As a corollary to this effort, staff recommends that the Town Council appropriate the proceeds from the dissolution of County Service Area No. 17 (\$1.5 million) to assist in this effort as well. If the Council approves the resolution and sets aside the anticipated revenues from CSA 17 for the North Apple Valley Infrastructure Financing Plan, it will enable staff to continue to pursue funds for our #1 economic development priority and place the Town/Agency/Finance Authority in the position of taking necessary, related actions in the future should the Council determine the funds available are worthy of pursuit.

Based upon the foregoing, staff recommends adoption of the attached resolutions and the form motion.

RESOLUTION NO. 2010-42

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY APPROVING THE SUBMITTAL OF AN APPLICATION FOR ALLOCATION FOR RECOVERY ZONE ECONOMIC DEVELOPMENT BUILD AMERICA BONDS TO FINANCE WATER MAINS AND SEWER INFRASTRUCTURE IMPROVEMENTS IN THE NORTH APPLE VALLEY ISP AREA THROUGH THE ISSUANCE, SALE AND DELIVERY OF WASTEWATER REVENUE BONDS TO BE ISSUED BY THE APPLE VALLEY PUBLIC FINANCING AUTHORITY

WHEREAS, the future development of the North Apple Valley ISP Area is of critical importance to the Town for the generation of jobs and public revenues; and

WHEREAS, the development in the North Apple Valley ISP Area is not feasible without the provision of water mains and sewer infrastructure improvements available prior to initiation of development to property owners at reasonable costs; and

WHEREAS, there is no feasible means of financing the requested infrastructure without participation by the Town and its Redevelopment Agency; and

WHEREAS, the America Recovery and Reinvestment Tax Act of 2009 (the "Stimulus Act") created provisions for, and authorized allocation of, a category of bonds designed Recovery Zone Economic Development Build America Bonds ("RZEDBAB's"), with a cumulative nationwide \$10 billion cap on such bonds that provide for a 45% reimbursement of interest by the Federal Government on obligations issued; and

WHEREAS, the County of San Bernardino received an allocation of \$46,093,000 of RZEDBAB's; and

WHEREAS, the County has determined that it will not utilize \$18,000,000 of RZEDBAB's allocation; and

WHEREAS, the entire geographic area of the County has been declared a Recovery Zone, so use of proceeds may be utilized for public infrastructure on public facilities that promote economic activity in the Recovery Zone Area; and

WHEREAS, to be eligible for allocation of RZEDBAB's, a local agency must take official action approving the proposed use of RZEDBAB's allocation.

WHEREAS, the proceeds of the Authority bonds will be loaned to the Agency for implementation of the Projects; and

WHEREAS, the Town will enter into an Installment Purchase Agreement in connection with the existing wastewater system, which will provide for installment payments from Net Sewer Revenues payable at times and in amounts sufficient to provide for debt service on the Authority Bonds; and

WHEREAS, the Town expects to designate the North Apple Valley ISP Area as a benefit district for the purpose of levying a capital impact fee which will provide for an allocation of the water and sewer infrastructure costs to benefited properties as such properties are developed; and

WHEREAS, such impact fees will be paid to the Agency by the Town as collected; and

WHEREAS, the principal portion of such capital impact fees will be used to redeem the Authority wastewater revenue bonds and the Interest Component shall be retained by the Redevelopment Agency for reimbursement of interest on the bonds.

NOW THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, AS FOLLOWS:

The Town Council hereby finds and determines that (i) the Projects are to be located within the boundaries of the Town and (ii) there are significant public benefits arising from the Authority's issuance of the Bonds to finance the Projects, and the Agency's implementation of the Project, including but not limited to employment benefits and enhanced public revenues from undertaking the acquisition and construction of the Projects in a timely fashion.

The Town Council hereby approves the submittal of the application for allocation and the preparation of all necessary financing documents to utilize the allocation if obtained. All financing documents will be considered by the Town Council for approval after any allocation is obtained. The Mayor, the Mayor Pro Tem, the Town Manager and the Finance Director (each, a "Responsible Officer"), are hereby authorized to execute documentation confirming this official action.

This Resolution shall take effect immediately upon adoption.

APPROVED and ADOPTED this ____ day of _____, 2010.

Mayor

ATTEST:

Town Clerk

RESOLUTION NO. 2010-03

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY AUTHORIZING THE PREPARATION OF A LOAN AGREEMENT FOR THE LOAN OF PROCEEDS OF THE APPLE VALLEY PUBLIC FINANCING AUTHORITY WASTEWATER REVENUE BONDS, SERIES 2010 TO THE AGENCY TO FINANCE WATER MAINS AND SEWER INFRASTRUCTURE IMPROVEMENTS IN THE NORTH APPLE VALLEY ISA AREA

WHEREAS, the future development of the North Apple Valley ISP Area is of critical importance to the Town for the generation of jobs and public revenues; and

WHEREAS, the development in the North Apple Valley ISP Area is not feasible without the provision of water mains and sewer infrastructure improvements available prior to initiation of development to property owners at reasonable costs; and

WHEREAS, there is no feasible means of financing the requested infrastructure without participation by the Town and its Redevelopment Agency; and

WHEREAS, the America Recovery and Reinvestment Tax Act of 2009 (the "Stimulus Act") created provisions for, and authorized allocation of, a category of bonds designed Recovery Zone Economic Development Build America Bonds ("RZEDBAB's"), with a cumulative nationwide \$10 billion cap on such bonds that provide for a 45% reimbursement of interest by the Federal Government on obligations issued; and

WHEREAS, the County of San Bernardino received an allocation of \$46,093,000 of RZEDBAB's; and

WHEREAS, the County has determined that it will not utilize \$18,000,000 of RZEDBAB's allocation; and

WHEREAS, the entire geographic area of the County has been declared a Recovery Zone, so use of proceeds may be utilized for public infrastructure on public facilities that promote economic activity in the Recovery Zone Area; and

WHEREAS, to be eligible for allocation of RZEDBAB's, a local agency must take official action approving the proposed use of RZEDBAB's allocation.

WHEREAS, the proceeds of the Authority bonds will be loaned to the Agency for implementation of the Projects; and

WHEREAS, the Town will enter into an Installment Purchase Agreement in connection with the existing wastewater system, which will provide for installment payments from Net Sewer Revenues payable at times and in amounts sufficient to provide for debt service on the Authority Bonds; and

WHEREAS, the Town expects to designate the North Apple Valley ISP Area as a benefit district for the purpose of levying a capital impact fee which will provide for an allocation of the

water and sewer infrastructure costs to benefited properties as such properties are developed; and

WHEREAS, such impact fees will be paid to the Agency by the Town as collected; and

WHEREAS, the principal portion of such capital impact fees will be used to redeem the Authority wastewater revenue bonds and the Interest Component shall be retained by the Redevelopment Agency for reimbursement of interest on the bonds.

NOW THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY, AS FOLLOWS:

The Agency hereby finds and determines that (i) the Projects are to be located within the boundaries of the Town and (ii) there are significant public benefits arising from the Authority's issuance of the Bonds to finance the Projects, and the Agency's implementation of the Project, including but not limited to employment benefits and enhanced public revenues from undertaking the acquisition and construction of the Projects in a timely fashion.

The Agency hereby approves the submittal of the application for allocation and the preparation of all necessary financing documents to utilize the allocation if obtained. All financing documents will be considered by the Agency for approval after any allocation is obtained. The Chairman or the Executive Director (each, a "Responsible Officer"), are hereby authorized to execute documentation confirming this official action.

This Resolution shall take effect immediately upon adoption.

APPROVED and ADOPTED this ____ day of _____, 2010.

Chairman

ATTEST:

Secretary

RESOLUTION NO. 2010-01

RESOLUTION OF THE APPLE VALLEY PUBLIC FINANCING AUTHORITY INDICATING THE INTENT TO ISSUE ITS WASTEWATER REVENUE BONDS, SERIES 2010 TO ASSIST IN FINANCING WATER MAINS AND SEWER INFRASTRUCTURE IMPROVEMENTS IN THE NORTH APPLE VALLEY ISA AREA

WHEREAS, the future development of the North Apple Valley ISP Area is of critical importance to the Town for the generation of jobs and public revenues; and

WHEREAS, the development in the North Apple Valley ISP Area is not feasible without the provision of water mains and sewer infrastructure improvements available prior to initiation of development to property owners at reasonable costs; and

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WHEREAS, the Town expects to designate the North Apple Valley ISP Area as a benefit district for the purpose of levying a capital impact fee which will provide for an allocation of the water and sewer infrastructure costs to benefited properties as such properties are developed; and

WHEREAS, such impact fees will be paid to the Agency by the Town as collected; and

WHEREAS, the principal portion of such capital impact fees will be used to redeem the Authority wastewater revenue bonds and the Interest Component shall be retained by the Redevelopment Agency for reimbursement of interest on the bonds.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE APPLE VALLEY PUBLIC FINANCING AUTHORITY, AS FOLLOWS:

The Board hereby indicates its intent to issue Wastewater Revenue Bonds secured by an Installment Sale Agreement to be entered into by and between the Town of Apple Valley and the Authority.

The Board hereby directs staff to prepare all necessary documentation for issuance of the proposed Bonds for consideration by the Board.

This Resolution shall take effect immediately upon adoption.

APPROVED and ADOPTED this ____ day of _____, 2010.

Chairman

ATTEST:

Secretary