

RESOLUTION NO. 3314

**A RESOLUTION OF THE TOWN COUNCIL OF
THE TOWN OF SAN ANSELMO AUTHORIZING THE ISSUANCE OF ITS GENERAL
OBLIGATION BONDS, AUTHORIZING AND DIRECTING THE EXECUTION OF A
PAYING AGENT AGREEMENT AND CERTAIN OTHER RELATED DOCUMENTS,
AND AUTHORIZING ACTIONS RELATED THERETO**

WHEREAS, more than two-thirds of the qualified voters in the Town of San Anselmo (the "Town"), voting at a municipal election on June 6, 1995, approved the issuance of up to \$10,800,000 of general obligation bonds to finance the acquisition, construction and completion of capital improvements to various street and storm drains within the Town and the acquisition, construction and completion of capital improvements to the Town's public library; and

WHEREAS, pursuant to the authorization received at such election, and the authorization contained in Chapter 4 (commencing with section 43600) of Division 4 of Title 4 of the California Government Code and Article 3.7 (commencing with section 53720) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (collectively, the "Act"), the Town intends to issue general obligation bonds pursuant to the Paying Agent Agreement (defined below) in a principal amount of not to exceed \$2,300,000; and

WHEREAS, the Town Council of the Town has duly considered such transactions and desires at this time to approve said transactions and the documents related thereto;

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF SAN ANSELMO AS FOLLOWS:

Section 1. Approval of Paying Agent Agreement. The proposed form of Paying Agent Agreement by and between the Town and the paying agent designated therein (the "Paying Agent"), which is on file with the Town Clerk (the "Paying Agent Agreement") is hereby approved, and the Mayor, the Vice Mayor and the Town Administrator (collectively, the "Authorized Officers"), each acting alone, are hereby authorized and directed, for and in the name and on behalf of the Town, to execute and deliver the Paying Agent Agreement in substantially said form, with said additions thereto (including the insertion of the maturity dates, principal amounts and interest rates of the Bonds) and changes therein as the Authorized Officers may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. Approval of Form of Bonds. The form of Bonds set forth in the form of Paying Agent Agreement is hereby approved, and the Authorized Officers of the Town, each acting alone, and the Town Clerk are hereby authorized and directed to execute the Bonds in the name and on behalf of the Town and under its seal and to cause the delivery thereof as provided for below.

Section 3. Sale and Issuance of Bonds. The sale of the Bonds is hereby approved provided that (a) the true interest cost of the Bonds shall not exceed seven and one-half percent per annum (7.5%), (b) the principal amount does not exceed \$2,300,000, and (c) the final maturity date is not more than twenty five (25) years from the date of issuance. The Town Administrator is hereby authorized and directed to evidence the Town's acceptance of an offer to purchase the Bonds following competitive bidding, as required by the Act, pursuant to the Official Notice of Sale relating to the Bonds. The Town Council hereby approves the Official Notice of Sale relating to the Bonds in the form presented to this meeting, and hereby ratifies the prior publication of the Notice of Intention of Sell Bonds required by section 53692 of the California Government Code. The Town Council further approves the issuance and delivery of the Bonds to the winning bidder therefor pursuant to the Paying Agent Agreement.

Section 4. Approval of Preliminary and Final Official Statement. The form of Preliminary Official Statement as presented to this meeting is hereby approved. The Authorized Officers are hereby authorized and directed, for and on behalf of the Town, to execute all certificates necessary to deem final the Preliminary Official Statement as of its date, with the exception of certain final pricing and related information. The Authorized Officers are hereby authorized and directed, for and on behalf of the Town, to execute and deliver the final Official Statement. The use and distribution of said Preliminary Official Statement and use and distribution of the final Official Statement in connection with the sale of the Bonds is hereby ratified and approved.

Section 5. Bank Qualified Designation. The Bonds are hereby designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. The Town Council hereby find and determine that the aggregate face amount of all tax exempt obligations (other than private activity bonds) issued by the Town (and all subordinate entities thereof) during calendar year 1995 is not expected to exceed the principal amount of the Bonds.

Section 6. Delegation of Authority to Authorized Officer. The Authorized Officers are hereby authorized and directed to execute, sign and deliver any and all approvals, certificates, statements, requests, requisitions and orders of the Town in connection with the sale and issuance of the Bonds, the purchase of the Bonds and the other transactions described herein. The Authorized Officers may authorize such other officers of the Town as they deem appropriate to undertake any of the actions which he or she is authorized or directed to undertake pursuant hereto

Section 7. General Authority. The officers of the Town are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the transactions described herein or to otherwise effectuate the purposes of this resolution, including preparing, or causing to be prepared, and executing all appropriate disclosure documents relating to the Bonds and agreements necessary to comply with the disclosure requirements of Rule 15c2-12, as amended, of the Securities and Exchange Commission. Any such actions previously taken by such officers are hereby ratified and confirmed.

Section 8. Severability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect any remaining provisions hereof.

Section 9. Effective Date. This resolution shall take effect from and after the date of its passage and adoption.

PASSED, APPROVED AND ADOPTED this 25th day of July, 1995, by the following roll call vote:

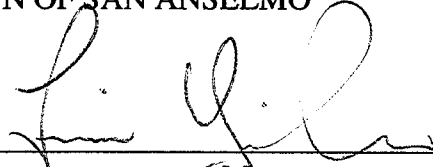
AYES: Breen, Chignell, Hodgens, Yarish

NOES: (None)

ABSENT: Kroot

ABSTAIN: (None)

TOWN OF SAN ANSELMO



Mayor

ATTESTED:



Town Clerk

I HEREBY CERTIFY that the foregoing resolution was duly and regularly passed and adopted by the Town Council of the Town of San Anselmo at a regular meeting thereof held on the 25th day of July, 1995 and that the foregoing is a full, true and correct copy of said Resolution.



Town Clerk

**FIRST INTERSTATE BANK
Fee Schedule for
\$2,300,000
Town of San Anselmo
1995 General Obligation Bonds, Series A**

ACCEPTANCE FEE

\$200

This one-time charge includes acceptance of the account, review of the trustee agreement and supporting documents, initial investment advisory services, liaison with agency officials, counsel and underwriters and attendance at the closing by your First Interstate Bank Account Administrator.

No legal fees will be incurred in this transaction.

ANNUAL ADMINISTRATION FEE

\$500

This annual fee covers the day to day administration of the issue, including the monitoring of compliance requirements of the governing documents.

At closing, fees for the following services are due and payable:

- a) Acceptance Fee, and
- b) Annual Administration Fee for the first year.

Thereafter, our Annual Administration Fee will be payable annually in advance.

Transaction Fees

Outgoing wire or interbranch transfer of funds, per transaction	\$ 25.00
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Rebate Calculation Fees (optional)

Engagement fee	\$ 500.00
(one time fee only)	
Report fee (per report)	\$2,000.00*

*Computation period in excess of 18 months \$500 per additional year or fraction thereof.

Out-of-Pocket Expenses

6% of Billable Fees

These expenses are those incurred by us on your behalf to effectively service your account on a day-to-day basis. They include but are not limited to the following items: postage, insurance, stationery, and telephone. A charge will be made to cover expenses incurred for travel, lodging, and meals to attend the closing for this issue and/or any other special meetings required.

Any legal and other expenses incurred in reviewing documents in anticipation of closing will be the responsibility of the issuer. In the event such issue does not come to market, those expenses will be payable within 30 days of receipt of billing.

These fees are guaranteed for five years from date of inception for services.

July 5, 1995

TOWN OF SAN ANSELMO
Staff Report
June 21, 1995

For the meeting of June 27, 1995

TO: Town Council

FROM: Beth Pollard, Town Administrator

SUBJECT: **MEASURE G: ISSUANCE OF GENERAL OBLIGATION BONDS TO FINANCE IMPROVEMENTS TO THE LIBRARY BUILDING, STREETS, AND STORM DRAINS**

RECOMMENDATION

That Council authorize staff to proceed with development of a general obligation bond issue of approximately \$2 million to finance improvements to the library building, streets, and storm drains, as recommended below.

BACKGROUND

On June 6, 1995, the voters of San Anselmo approved Ordinance No. 964, authorizing the sale of \$10.8 million in general obligation bonds by the Town to finance improvements to the library building, streets, and storm drains. Council may now proceed with the issuance of bonds to make funds available to begin engineering, designing, and constructing the improvement projects.

To make general obligation bond funds available in the 1995-96 fiscal year for library, street, and storm drain projects, and use the ad valorem property tax levy as a source of revenue for payments on the bonds, the first issue must be sold no later than early August.

The Town's financial advisors, Stone & Youngberg, and bond counsel, Nossaman, Guthner, Knox & Elliott, are available to assist and advise the Town in the development and implementation of a bond issue. Staff has met with the advisors on beginning the issuance process.

DISCUSSION

In summary, the following steps are involved in developing the bond issue:

- 1) Preparation of necessary documents, including Bond Resolution, Fiscal Agent Agreement, Notice of Sale, and the Official Statement. These documents

encompass the facts and figures regarding the issue to be sold, the process, and the timing. Among the provisions will be the size of the issue, the maturity schedule, and covenants related to the bond issue. These documents are all subject to approval by the Town Council.

- 2) Request for bids and selection of paying agent, a bank corporate trust department, responsible for making the payments to the bondholders. This is a specialized banking service, for which the Town would seek competitive bids.
- 3) Town staff and the financial advisors will concurrently be preparing information for presentation to Standard & Poor, a nationally recognized bond rating company, and to secure bond insurance providers. The rating agency will assess the capability and willingness of the Town to repay its general obligation debt by examining four analytical areas:
 - Economy
 - Town financial performance and flexibility
 - Community debt burden
 - Town Administration
- 4) Publication of Notice of Sale to attract underwriters to submit a bid for purchase of the bond issue.
- 5) Sale of bonds. Bids are received and the lowest bidder is confirmed.
- 6) Debt service schedule delivered to Auditor-Controller for preparation of 1995-96 tax roll.

ISSUES, ANALYSIS, AND RECOMMENDATIONS

The issues for Town consideration, with analysis and recommendation, include:

Timing of bond sale

Issue: The Town is in a position of getting started on projects eligible for funding from the general obligation bonds. The Library Project is designed and ready to be put to bid, there are pavement and storm drain projects that require only minimal design to be initiated, and capital improvement projects have been identified on which engineering and design could begin. The general obligation bond tax rate analysis prepared by the financial advisors in the spring showed the first tax levy to take place in the 1995-96 fiscal year; to meet this timing requires the sale of the bonds by early August.

Analysis: If the bonds are not sold in time for the 1995-96 tax statements, Council's alternatives are to wait until 1996-97 to start designing, engineering, and constructing projects; or to sell the bonds in the fall, but capitalize the interest

payments at an additional cost of about \$100,000; or use Town general fund reserves in the interim. Due to the benefit of arresting further infrastructure deterioration, in delivering the improvements expected by the residents, and in not depleting Town reserves, staff does not recommend these alternatives. Data on Measure G was prepared with the assumption that an issue would be sold in time for the 1995-95 tax statements, and there is sufficient time to meet this schedule.

Recommendation: Issue no later than early August, 1995.

Size of issue.

Issue: The dollar amount of the bonds to be sold will be established by Council in the bond resolution and notice of sale. The factors to consider include the funds needed for the first phase of projects and costs of issuing the bonds. In addition, the estimated cost of the tax levy needed to pay the debt on the issue should be considered. A precise tax levy cannot be set until the bond sale price has been established, and the 1995-96 assessed valuation of the Town is known, but estimates can be calculated in advance of the sale.

Analysis: The assumption made in the development of the tax rate table for Measure G was that the size first bond issue would be \$2.16 million.

Recommendation: The first issue be approximately \$2.16 million, with adjustments as needed to bring the estimated tax levy as close as possible to the tax rate table.

Competitive vs. negotiated sale.

Issue: General obligation (G.O.) bonds are typically sold by cities through competitive bid. To sell G.O. bonds by negotiated agreement requires the city to sell them through a joint powers authority or similar agency. There is no assurance that the negotiated interest rate is the most competitive that could be acquired.

Analysis: Negotiated sales are often used for issues that are non-rated, or have complex or unusual bond structures. Arranging for a negotiated sale on this issue would be time consuming, not likely to produce economic benefit, and would be unusual for this type of issue.

Recommendation: Sell the bond through competitive bid.

Obtaining a bond rating

Issue: The Town does not currently have a bond rating. A rating is not legally required, but non-rated bonds do not attract as competitive an interest rate as rated

bonds. The cost of obtaining a rating should be weighed against the cost of having to pay a higher interest rates on the bonds if they are not rated.

Analysis: Communities that are not likely to get attractive bond ratings do not go through the time and expense to obtain them. However, rated bonds will produce a more favorable interest rate for the Town. The rating that the Town will likely obtain is expected to be worth its cost, which is estimated at approximately \$9,000.

Recommendation: Obtain a rating for the bond issue.

Selecting a rating agency

Issue: Standard & Poor's and Moody's Investors Services are the major national rating agencies for municipal bonds. Their rating systems are similar, and only one rating is needed to ensure a fair market interest on the Town's bonds.

Analysis: Based on recent issuer experience, Standard & Poor's is considered to be somewhat more responsive and capable of handling an aggressive financing schedule. Also, Standard & Poor's typically charges lower fees for ratings compared with Moody's.

Recommendation: Arrange for a bond rating from Standard & Poor's.

Insuring the bonds.

Issue: Insurance will improve interest rates on the bonds, lower repayment costs, and make the bonds more attractive to underwriters, but involves the payment of a one-time premium. The decision on whether to purchase is based on a cost/benefit analysis.

Analysis: This should be a cost/benefit decision based on an analysis of cost of insurance compared with estimated improved interest rate.

Recommendation: Base the decision regarding bond insurance on its cost/benefit.

San Anselmo bond buyers.

Issue: There has been some interest in having the bonds available for purchase by San Anselmo residents or businesspeople. In a competitive sale, underwriters cannot be required to make the bonds available for purchase by residents. However, underwriters could be notified of local residents' interest, and local residents could be informed about the selected underwriter.

Analysis: In the experience of other cities, there is some, but not significant, local individual interest and resources for purchasing the bonds. This interest does not have a financial effect on the bonds; it is more of a community relations matter.

Recommendation: Allow local persons interested in purchasing the bonds to leave their names and addresses with Town staff, and inform the underwriter selected through competitive bid of the reported local interest. No guarantee could be made to local persons that they could purchase the bonds.

Timing of Council Action.

Issue: It will take until at least mid-July for the financial advisors, bond counsel, and staff to draft, review and finalize the bond resolution and related documents for Council action. Council action should take place by July 25. If Council believes it will need more than one meeting to review the documents, it is recommended that a special meeting be scheduled prior to July 25.

Timing of Council Action: There will be two Councilmembers out of town the week of July 18.

Recommendation: Schedule adoption of the Bond Resolution, Notice of Sale, and approval of the Official Statement for the Council meeting of July 25, 1995, and give staff direction at the June 27, 1995 meeting on any issues of concern.

Notice of sale

Issue: The notice of sale will need to be prepared for publication, but not printed, before the July 25 Council meeting. If Council decides that night not to proceed with the issue, any subsequent publication of the notice would not be legally binding.

Analysis & Recommendation: To meet the deadlines for placement of the G.O. tax on the 1995-96 tax roll, the Notice of Sale regarding the bonds must be sent before the July 25 date.

Recommendation: Authorize Notice of Sale to be sent to publications in advance of July 25.

CONCLUSION

The financial advisors, bond counsel, and staff will prepare the necessary documents for Council consideration and approval on the bond issue.

Staff is seeking comments from Council on the identified issues, and recommends proceeding with the schedule and recommendations for sale of the bonds on August 7, 1995.

Respectfully submitted,



Beth Pollard
Town Administrator

c: Ed Schilling, Stone & Youngberg
Steve Melikian, Nossaman, Guthner, Knox & Elliott

Attach: Schedule Outline

**Town of San Anselmo
General Obligation Bond Issue #1
Schedule Outline**

June 27, 1995	Staff recommends Council authorize proceeding with approximately \$2 million bond sale in August, 1995. Council comments.
June 27 - July 25, 1995	Staff, financial advisors, bond counsel prepare documents for Council review and approval
July 25, 1995	Council adopts Bond Resolution and approves Notice of Sale and distribution of Preliminary Official Statement.
End of July, 1995	Notice of sale published. Presentation to rating agencies.
Week of August 7, 1995	Bids received and lowest bidder confirmed. Debt service schedule delivered to Auditor-Controller for preparation of 1995-96 tax roll.
Week of August 21, 1995	Sale closes. Bond proceeds delivered to Town.

TOWN OF SAN ANSELMO
Staff Report
July 21, 1995

For the meeting of July 25, 1995

TO: Town Council

FROM: Beth Pollard, Town Administrator

SUBJECT: **RESOLUTION AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION BONDS, AUTHORIZING AND DIRECTING THE EXECUTION OF A PAYING AGENT AGREEMENT AND CERTAIN OTHER RELATED DOCUMENTS AND AUTHORIZING ACTIONS RELATED THERETO**

RECOMMENDATION

That Council approve the attached resolution authorizing the issuance of general obligation bonds, authorizing and directing the execution of a paying agent agreement, and certain other related documents, and authorizing actions related thereto.

BACKGROUND

On June 6, 1995, the voters of San Anselmo authorized the sale of \$10.8 million in general obligation bonds for improvements to Town streets, storm drains, and the library building. On June 27, 1995, Council received a staff report summarizing the issues involved in the bond sale, and Council authorized staff to proceed with development of a general obligation bond issue of approximately \$2 million. Attached is a copy of the June 27, 1995 staff report for background information.

Staff has been working with the Town's financial advisors, Stone & Youngberg, and bond counsel, Nossaman, Guthner, Knox & Elliott, to put into place the necessary steps and prepare the required documentation for an issue sale on August 8, 1995. Council action is recommended this evening for approval of the resolution authorizing the steps and documents related to the bond issue.

Representatives from Stone & Youngberg and Nossaman, Guthner, Knox, & Elliott, will be present at the July 25, 1995 Council meeting to provide information on the attached documents and bond issue process.

DISCUSSION

Resolution

Attached is the draft resolution prepared by bond counsel authorizing the sale and issuance of up to \$2.3 million in general obligation bonds, and approval of the paying agent agreement, the form of bonds as stated in the paying agent agreement, the preliminary and final official statement, the designation of the bonds as “qualified tax-exempt obligations”, designation of authority for execution of documents. Below are summaries of the related documents.

Official Notice of Sale

The Official Notice includes information on the due date of purchase proposals, the amount of the issue and denominations; date, maturities, and amounts of the bonds; adjustments in maturities; maximum interest rate; payment procedures; and other matters related to the bond issue. Attached is the draft prepared by Nossaman, Guthner, Knox, & Elliott, and reviewed by Town staff.

The maximum amount of the bond issue stated in the resolution and notice of sale is \$2,300,000. This amount may be adjusted up to 24 hours in advance of the due date and time of the proposals. The approach being taken is to size the issue as close as can be projected so as to result in tax rates that are as close as possible to the rates as stated in the tax table issued by the Town prior to the election. The final tax rates will be determined by the sale price of the bonds and the Town’s assessed valuation. Further minor adjustments may be made in the maturity dates after the proposals are received if slight modifications are needed to affect the tax rates.

Under the proposed resolution, the true interest cost of the bonds shall not exceed 7.5% per year, and the final maturity dates on the bonds shall not exceed 25 years.

The sale of the bonds is being advertised by the Town’s bond counsel in the national *Bond Buyer* publication, as well as the *Marin Independent Journal*. In addition, notices are being sent to all registered bond underwriters in the State of California (approximately 70), including firms who have made inquiries directly to the Town.

Paying Agent Agreement

As is customary, a request for proposals was issued for paying agent services to handle all the tasks involved in making payments to the bondholders. A total of six proposals were received. Stone & Youngberg recommended, and the town concurred, that First Interstate Bank’s proposal, attached, provided the best service at the most competitive rate.

Attached is the paying agent agreement prepared by Stone & Youngberg, and reviewed by Town staff and bond counsel. The agreement covers provisions such as payment schedules, books and accounts, security and rights of bondholders, disclosure requirements, events of default and remedies of bondholders, and several other aspects of the agents' duties and responsibilities. The first payment will be due on February 1, 1996.

Official Statement

The Official Statement will be made available to interested underwriters, and to Standard & Poor's, the rating agency that is being requested to establish a rating for the bond issue. The Statement has not yet been reviewed by staff as of today, and is subject to some minor changes prior to final publication.

Timing

Attached to the June 27, 1995 staff report is a schedule for the bond issue. The Town is on schedule to obtain Council approval July 25, 1995, publish a notice of sale, issue the necessary documents, procure paying agent services, obtain a bond issue rating, receive proposals from underwriters on August 8, award the purchase on August 9, notify the County of Marin of the tax rates in time for the 1995-96 tax statements, and receive the bond proceeds on August 21.

Respectfully submitted,



Beth Pollard
Town Administrator

c: Stone & Youngberg
Nossaman, Guthner, Knox, & Elliott

Attach: Staff report, June 27, 1995
Draft resolution
First Interstate Paying Agent proposal
Notice of Sale
Paying Agent Agreement
Official Notice of Sale