



The City of San Diego

Staff Report

DATE ISSUED: September 15, 2021

TO: City Council

FROM: Debt Management

SUBJECT: Authorization via ordinance to extend the Letter of Credit ("LOC"), retain Note Counsel and the continued administration of City's Lease Revenue Commercial Paper Notes Program.

Primary Contact: Richard Eyre Phone: (619) 236-6899

Secondary Contact: Lakshmi Kommi Phone: (619) 236-6928

Council District(s): Citywide

OVERVIEW:

This item requests authorization via ordinance to extend the Reimbursement Agreement between the Public Facilities Financing Authority of the City of San Diego (the "Authority") and Wells Fargo Bank, National Association (the "LOC Provider") to provide Direct-Pay Letter of Credit services for the City's Lease Revenue Commercial Paper Notes Program for a period of three years, extend the contract with Hawkins, Delafield & Wood LLP as Note Counsel, and to approve continued administration of the City's Lease Revenue Commercial Paper Notes Program.

PROPOSED ACTIONS:

1. Authorize the Mayor or his designee via ordinance to execute the amendment to the Reimbursement Agreement with the LOC Provider to provide Direct-Pay Letter of Credit services for the City's Lease Revenue Commercial Paper Notes Program for a period of three years;
2. Authorize the Chief Financial Officer via ordinance to expend an amount not to exceed \$900,000 over the three year amendment and not to exceed \$300,000 for Fiscal Year 2022 from the General Fund, Fund 100000, for the purpose of executing the amendment to the existing contract with Wells Fargo Bank, National Association with any expenses in future fiscal years (Fiscal Year 2023 through the end of the contract) contingent upon the adoption of the Appropriation Ordinance for the applicable Fiscal Year and contingent upon the Chief

Financial Officer first furnishing one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with the City Treasurer;

3. Authorize the Mayor or his designee via ordinance to execute the amendment to the existing as-needed contract with Hawkins Delafield & Wood as Note Counsel for an amount not to exceed \$25,000 per year;
4. Authorize the Chief Financial Officer via ordinance to expend an amount not to exceed \$25,000 for Fiscal Year 2022 and not to exceed \$25,000 each Fiscal Year for the life of the amendment from the General Fund, Fund 100000, for the purpose of executing the amendment via ordinance to the existing as-needed contract with Hawkins Delafield & Wood with any expenses in future fiscal years contingent upon the adoption of the Appropriation Ordinance for the applicable Fiscal Year and contingent upon the Chief Financial Officer first furnishing one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with the City Treasurer; and
5. Approve via ordinance the continued administration of the Lease Revenue Commercial Paper Notes Program.

#### DISCUSSION OF ITEM:

##### **A. Background:**

#### Commercial Paper (CP) Program

The CP program, authorized by City Council in November 2018, is administered by the Debt Management Department and serves as a cash management tool providing financial flexibility to the General Fund. It allows the City to borrow smaller amounts on an as needed and interim basis, to reimburse the General Fund for capital costs incurred, while also taking advantage of lower short-term interest rates on the borrowed amounts.

#### Letter of Credit

A direct-pay LOC provides credit enhancement and liquidity support for the Commercial Paper Notes and represents the Banks promise to pay principal and interest on such Commercial Paper Notes when due for a specified period of time and subject to certain conditions. Under this Program, the Issuing and Paying Agent will draw upon the applicable LOC to make principal and interest payments to CP noteholders when the related Commercial Paper Notes mature.

The current provider for the direct-pay LOC is Wells Fargo Bank, National Association. The bank was selected through the competitive process to provide LOC services when the CP program was established. Under the terms of the current contract the LOC Provider agreed to extend term by additional 3 years. In order to take advantage of the fixed fee for the next three years, the Council will need to authorize the extension to the agreement via ordinance.

##### **B. Ordinance:**

With the approval of this item, the Reimbursement Agreement will be amended and is expected to expire on November 29, 2024 with no additional change in scope. Additionally, it will approve the continued administration of the CP Program which includes utilizing an Issuing and Paying Agent (U.S. Bank National Association) and the CP Dealers (J.P. Morgan Securities LLC and Wells Fargo

Bank, National Association), amending the Offering Memorandum from time to time with oversight from the Disclosures Practices Working Group, as well as authorize amending the not-to-exceed amount of \$25,000 per year and extend the contract for Note Counsel services rendered by Hawkins Delafield & Wood. The Offering Memorandum will be filed after the execution of the ordinance.

City Strategic Plan Goal(s)/Objective(s):

Goal #1: Provide high quality public service

Objective #1: Promote a customer-focused culture that prizes accessible, consistent, and predictable delivery of services

Fiscal Considerations:

The extension of the contract with the LOC Provider does not change the LOC fee. The City's municipal advisor was consulted to ensure the LOC fee was reflective of current market conditions. Compensation for providing Direct-Pay Letter of Credit services as described in the Reimbursement Agreement with Wells Fargo Bank, National Association will not exceed \$300,000 for Fiscal Year 2022. Costs will be paid out of the General Fund, Fund 100000. Expenses occurring in FY 2023 and future fiscal years will be contingent upon the adoption of the Appropriation Ordinance for the applicable Fiscal Year and contingent upon the Chief Financial Officer first furnishing one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with the City Treasurer.

Estimated Costs per Fiscal Year:

FY22-\$300,000

FY23-\$300,000

FY24-\$300,000

\$900,000 Total Not to Exceed

Compensation for as-needed services described in the contract with Hawkins, Delafield & Wood LLP will not exceed \$25,000 per Fiscal Year. Contract costs will be paid out of the General Fund, Fund 100000. Expenses occurring in FY 2023 and future fiscal years will be contingent upon the adoption of the Appropriation Ordinance for the applicable Fiscal Year and contingent upon the Chief Financial Officer first furnishing one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with the City Treasurer.

Charter Section 225 Disclosure of Business Interests:

N/A for Hawkins Delafield & Wood LLP; there is no individual that owns more than 10% of the contracting entity or who will receive more than 10% of the contracted amount.

N/A for Wells Fargo Bank, National Association; the contract is with a publicly traded company.

Environmental Impact:

This activity is not a project pursuant to CEQA Guidelines Section 15378(b)(5), as it is an organizational or administrative activity of government that will not result in any direct or indirect

physical changes in the environment. As such, this activity is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(3).

Equal Opportunity Contracting Information (if applicable):

This agreement is subject to the City's Equal Employment Opportunity Outreach Program (San Diego Ordinance No. 18173, Municipal Code Sections 22.2701 through 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

Previous Council and/or Committee Actions:

On November 5, 2018, City Council passed resolution R-312033 authorizing the issuance and sale of the Authority's Lease Revenue Commercial Paper Notes from time to time in an amount not to exceed \$88.5 million. This item will be heard at Budget and Government Efficiency Committee prior to Council.

Key Stakeholders and Community Outreach Efforts:

Business entities involved in the proposed action include Wells Fargo Bank, National Association (LOC) and Hawkins Delafield & Wood LLP (Note Counsel).

Lakshmi Kommi \_\_\_\_\_

Debt Management Director

Matthew Vespi \_\_\_\_\_

Chief Financial Officer



The City of San Diego

Staff Report

DATE ISSUED: 9/21/2021

TO: Public Facilities Financing Authority

FROM: Office of the City Attorney, as General Counsel to the Public Facilities Financing Authority of the City of San Diego

**SUBJECT: Authorization of Certain Legal Documents in Connection with the Public Facilities Financing Authority of the City of San Diego Lease Revenue Commercial Paper Notes Program**

Primary Contact: David Powell Phone: (619) 235-5894

Council District(s): Citywide

OVERVIEW:

These actions will authorize the Public Facilities Financing Authority of the City of San Diego (Authority) to appoint additional or replacement dealers, or issuing and paying agents, in connection with the issuance and sale of the Authority's Lease Revenue Commercial Paper Notes program.

PROPOSED ACTIONS:

A resolution of the Authority to appoint additional or replacement dealers, or issuing and paying agents, from time to time in connection with authorizing the issuance and sale of its Lease Revenue Commercial Paper Notes program to finance certain capital improvement projects and approving certain other documents and actions in connection therewith.

DISCUSSION OF ITEM:

Please see attached Staff Report to City Council dated September 15, 2021.

Previous San Diego City Council and/or Committee Actions:

On November 5, 2018, City Council passed resolution R-312033 authorizing the issuance and sale of the Authority's Lease Revenue Commercial Paper Notes from time to time in an amount not to exceed \$88.5 million.

David Powell  
Deputy General Counsel

**Office of  
The City Attorney  
City of San Diego**

**MEMORANDUM**

**DATE:** October 6, 2021  
**TO:** Council President Jennifer Campbell  
**FROM:** David L. Powell, Deputy City Attorney  
**SUBJECT:** PFFA Item FA-2021-3 COR. COPY

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Please see the attached corrected Resolution FA-2021-3. Correction was required to change the adoption date to October 19, 2021 (pages 1 and 7), as the PFFA meeting was moved to the next regularly scheduled meeting because the agenda noticed did not include the “virtual meeting” language

DLP:jdf  
Enclosure  
cc: Haley Lesser, Director of Legislative Affairs

PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO

RESOLUTION NUMBER FA-2021-3

ADOPTED ON OCTOBER 19, 2021

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO (I) AUTHORIZING THE APPOINTMENT OF ADDITIONAL OR REPLACEMENT DEALERS OR ISSUING AND PAYING AGENT FROM TIME TO TIME IN CONNECTION WITH THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF THE AUTHORITY'S LEASE REVENUE COMMERCIAL PAPER NOTES FROM TIME TO TIME IN THE PRINCIPAL AMOUNT NOT TO EXCEED IN THE AGGREGATE \$88,500,000; AND (II) APPROVING CERTAIN OTHER DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH.

WHEREAS, the City of San Diego, California (City), the City, solely in its capacity as the designated Successor Agency to the former Redevelopment Agency of the City of San Diego and the Housing Authority of the City of San Diego are parties to a Joint Exercise of Powers Agreement establishing the Public Facilities Financing Authority of the City of San Diego (Authority), a California joint exercise of powers authority duly organized to finance, acquire, construct, maintain, repair, operate, and control certain capital facilities improvements for the City; and

WHEREAS, pursuant to Resolution No. R-311757 adopted on May 22, 2018 (R-311757), Resolution No. R-311956 adopted on August 14, 2018 and Resolution No. R-312033 adopted on November 5, 2018 (R-312033), the City authorized the issuance and sale of one or more series of the Authority's lease revenue commercial paper notes from time to time on a tax-exempt basis (Commercial Paper Notes) in an aggregate principal amount not to exceed \$88,500,000 (Program) that are payable from Base Rental Payments (Base Rental

Payments) to be made by the City pursuant to the Facilities Lease by and between the City and the Authority (Lease) to (i) provide short-term financing for the acquisition, design, construction, installation, improvement, replacement, and equipping of various capital improvement projects of the City, including, without limitation, capital equipment, (ii) reimburse the City for eligible expenditures in accordance with applicable law, (iii) to pay principal of Commercial Paper Notes at maturity or to reimburse the related Credit Facility Provider (as defined in the Indenture herein referred to) for draws under the related Credit Facility (as defined in the Indenture herein referred to), and (iv) pay costs of issuance incurred in connection with the issuance of Commercial Paper Notes (collectively, the Projects); and

WHEREAS, pursuant to Resolution No. FA-2018-5 adopted on May 15, 2018 and Resolution No. FA-2018-11 adopted on October 30, 2018 (FA-2018-11), the Authority authorized its issuance and sale of one or more series of Commercial Paper Notes in the principal amount not to exceed in the aggregate \$88,500,000 to provide funds for the purposes set forth above and in connection therewith, authorized the execution and delivery of a Site Lease (Site Lease) by and between the City and the Authority, the Lease, an Indenture (Indenture) by and between the Authority and U.S. Bank National Association, as Trustee, an Issuing and Paying Agency Agreement (Issuing and Paying Agency Agreement) by and between the Authority and U.S. Bank National Association, as Issuing and Paying Agent (Issuing and Paying Agent), one or more Dealer Agreements (each, a Dealer Agreement), by and between the Authority and J.P. Morgan Securities LLC and Wells Fargo Securities (each, a Dealer), as the initial Dealers, and a Reimbursement Agreement and related fee letter agreement (collectively, the Initial Reimbursement Agreement), each by and among the City, the Authority, and Wells Fargo Bank, National Association (Wells Fargo), and the distribution of an Offering Memorandum (Offering



Memorandum) in connection with the issuance of the Commercial Paper Notes from time to time; and

WHEREAS, pursuant to FA-2018-11, the Authority also authorized the amendment and supplement of the Offering Memorandum from time to time and the distribution thereof, subject to the prior review and approval thereof, as amended or supplemented, by the City's Disclosure Practices Working Group, and also authorized the amendment, supplement or restatement of any Credit Facility Agreement (as defined in the Indenture) in connection with any extension of the term of any Credit Facility or any increase or decrease in the maximum principal amount of Commercial Paper Notes secured by any Credit Facility, and the execution and delivery of any additional replacement or successor Credit Facility Agreement determined to be necessary or desirable and in the best interests of the Authority; and

WHEREAS, pursuant to R-311757 and R-312033, the City also authorized the execution and delivery of the Site Lease and the Lease with the Authority and Initial Reimbursement Agreement with Wells Fargo, as well as the execution and delivery by the Authority of the Site Lease, the Lease, the Indenture, the Issuing and Paying Agency Agreement, one or more Dealer Agreements with the initial Dealers and the Initial Reimbursement Agreement with Wells Fargo, and the distribution of the Offering Memorandum in connection with the issuance of the Commercial Paper Notes from time to time; and

WHEREAS, in furtherance of the issuance of the Commercial Paper Notes under the Indenture, the City caused the Authority to enter into the Site Lease, the Lease, the Indenture, the Issuing and Paying Agency Agreement, a Dealer Agreement with each of J.P. Morgan Securities LLC and Wells Fargo Securities, as the initial Dealers, and the Initial Reimbursement Agreement with Wells Fargo; and

WHEREAS, pursuant to an Ordinance (City Ordinance) introduced at a meeting of the City Council of the City of San Diego on October 5, 2021, the City has ratified its prior request of the Authority that the Authority issue and sell in one or more series its Commercial Paper Notes in the principal amount not to exceed in the aggregate \$88,500,000 to provide funds for financing various Projects, reimburse the City for eligible expenditures and pay costs of issuance incurred in connection with the issuance of the Commercial Paper Notes from time to time, and has ratified and reapproved, pursuant to Charter section 99, the execution, delivery and performance by the City of the Site Lease, the Lease and the Initial Reimbursement Agreement and its prior request of the Authority to execute, deliver and perform the Site Lease, the Lease, the Indenture, the Issuing and Paying Agency Agreement, the Dealer Agreements and the Initial Reimbursement Agreement, and also reauthorized, pursuant to Charter section 99, the amendment, supplement or restatement of any Credit Facility Agreement (in connection with any extension of the term of any Credit Facility or any increase or decrease in the maximum principal amount of Commercial Paper Notes secured by any Credit Facility) and reauthorized, pursuant to Charter section 99, the execution and delivery of any additional, replacement or successor Credit Facility Agreement determined to be necessary or desirable and in the best interests of the City, as well as authorized the amendment, supplement or restatement of any Dealer Agreement or appointment of additional or replacement Dealers from time to time and the execution and delivery of any additional, replacement or successor Dealer Agreement in connection therewith as determined to be necessary or desirable and in the best interests of the City, provided that any such Dealer or Dealers shall be selected from the City's "Investment Banking Services – Underwriter and Commercial Paper Dealer Pool," and also authorized the appointment of a replacement Issuing and Paying Agent from time to time and the amendment, supplement or

restatement of the Issuing and Paying Agency Agreement in connection therewith as determined to be necessary or desirable and in the best interests of the City; and

WHEREAS, the Authority is authorized to undertake the actions described in this Resolution pursuant to its Joint Exercise of Powers Agreement and the Constitution and applicable laws of the State; NOW, THEREFORE,

BE IT RESOLVED by the Board of Commissioners of the Public Facilities Financing Authority of the City of San Diego (Board of Commissioners), as follows:

Section 1. The Board of Commissioners hereby finds and determines that the statements set forth above in the recitals to this Resolution are true and correct.

Section 2. The Chair or Vice-Chair of the Board of Commissioners of the Authority or the Treasurer of the Authority (each, an Authorized Officer), in consultation with the City and the City's Chief Financial Officer, without further action of the Board of Commissioners, is hereby authorized to amend, supplement or restate any Dealer Agreement or to appoint additional or replacement Dealers from time to time and to execute and deliver any additional, replacement or successor Dealer Agreement in connection therewith as such Authorized Officer shall determine is necessary or desirable and in the best interests of the City and the Authority, such determination shall be conclusively evidenced by the execution and delivery of such amendment, supplement or restatement of, or additional, replacement or successor, Dealer Agreement by the Authority; provided that any such Dealer or Dealers shall be selected from the City's "Investment Banking Services – Underwriter and Commercial Paper Dealer Pool." In addition, any Authorized Officer, in consultation with the City and the City's Chief Financial Officer, without further action of the Board of Commissioners, is hereby authorized to appoint a replacement Issuing and Paying Agent from time to time and to amend, supplement or restate the

Issuing and Paying Agency Agreement in connection therewith as such Authorized Officer shall determine is necessary or desirable and in the best interests of the City and the Authority, such determination shall be conclusively evidenced by the execution and delivery of such amendment, supplement or restatement of the Issuing and Paying Agency Agreement by the Authority.

Section 3. The Authorized Officers, and each of them, acting alone, are hereby authorized and directed to take all actions and execute any and all documents which they may deem necessary or advisable in order to consummate, carry out, give effect to and comply with the terms and intent of this Resolution and the consummation of the transactions contemplated hereby. Any actions heretofore taken by such officers in furtherance of any of the transactions authorized herein are hereby ratified, confirmed, and approved.

Section 4. The Authorized Officers, and each of them, acting alone, are hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things and take any and all actions, from time to time, consistent with this Resolution and the documents approved herein and other documents authorized by this Resolution, including, without limitation, payment of necessary and appropriate fees and expenses of bond counsel, disclosure counsel, municipal advisor and other professionals retained by the Authority, and execute and deliver any and all certificates, agreements and other documents (including, but not limited to, the tax compliance certificate) which they, or any of them, may deem necessary or advisable to consummate the transactions evidenced by the documents referenced herein in accordance with this Resolution.

Section 5. This Resolution shall take effect immediately upon its adoption.

ADOPTED, SIGNED AND APPROVED this 19th day of October 2021, by the following vote:

AYES:

NAYS:

ABSENT:

VACANT:

ABSTAIN:

PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO

By: \_\_\_\_\_  
Chair, Board of Commissioners

Attest:

\_\_\_\_\_  
Secretary to Board of Commissioners

10/06/2021 COR. COPY



The City of San Diego  
**Item Approvals**

**Item Subject:** Authorization of Certain Legal Documents in Connection with the Public Facilities Financing Authority of the City of San Diego Lease Revenue Commercial Paper Notes Program

<b>Approving Authority</b>	<b>Approver</b>	<b>Approval Date</b>
OFFICE OF THE CITY ATTORNEY DEPARTMENT APPROVER	JORDAN, JEAN	09/21/2021