



MEMORANDUM

TO: Mayor and City Council

FROM: Gene Parker, City Attorney

DATE: December 6, 2017

RE: Revisions to Master Water and Wastewater Revenue Bond Declaration

Section 2 of Special Ordinance No. 17-577 provides that the City Manager and the Finance Director are designated by the City Council to act on behalf of the City under the Ordinance, and it also sets forth the authority of the "Authorized Officer". Section 2.6 specifically provides the Authorized Officer may finalize the terms of, and execute and deliver the Master Bond Declaration. This section also provides that the form of the Master Declaration shall be in substantially the form which is attached to the Ordinance as Exhibit A, with such changes as the Authorized Officer may approve.

The final version of the Master Declaration will not be determined until the bonds have been sold. There have been some changes to the version of the Master Declaration which was included in the agenda packet that was provided to the City Council. Some of the changes were editorial in nature, and some were more substantive in nature. In this memorandum, I will summarize the substantive changes for the Council.

1. Page 1, Section 2, Definitions. A new definition for "Adjusted Gross Revenues" which means the Coverage Revenues, adjusted for purposes of Section 6.1.D(iii) as provided in Section 6.3, was added.
2. Page 3, Section 2, Definitions. A new definition for "Coverage Revenues" which means Net Revenues less Systems Development Charges, was added.
3. Page 9, Section 3.1, Management, Deposit, Pledge and Use of Gross Revenues. A new subsection D was added which reads as follows:

On the Closing date for a Series of Bonds, and on the first day of the months specified in the provisions creating the subaccounts in the Bond Reserve Account, if the balance in any subaccount of the Bond Reserve Account is determined to be less than the applicable Reserve Requirement, to transfer

Net Revenues to the Bond Reserve Account in the amounts required by the provisions creating the subaccounts in the Bond Reserve Account until the balances in all subaccounts of the Bond Reserve Account are equal to their Reserve Requirement.

Subsections D through J were renumbered E through K.

4. Page 10, Section 4, Bond Funds and Account. The first two paragraphs of Section 4.3 were revised to read as follows:

Reserve Account. This section shall apply only to Bonds that are secured by the Reserve Account. The Reserve Account shall be held by the City. The City may create one or more subaccounts in the Reserve Account to secure Series of Bonds and covenant to make deposits into any subaccounts it creates.

The Supplemental Declaration authorizing any Series of Bonds may establish a separate reserve account for such Series of Bonds and set forth the reserve requirement for such Series of Bonds, which may be zero, or provide that some or all of such Series are secured by the Reserve Account; however, the City is not required to create any subaccounts in the Reserve Account, and is not obligated to secure any Series of Bonds with a subaccount in the Reserve Account. The Reserve Account shall be held by the Trustee, or by the City if there is no Trustee as provided in a Supplemental Declaration. Amounts credited to the Reserve Account shall be used only to pay Bonds, and only if amounts in the Bond Account and Net Revenues credited to other accounts in the Utility Fund are insufficient.

5. Page 14, Section 5, Rate Covenant; Estimated Debt Service for the Balloon Indebtedness. Section 5.3 was deleted, and Sections 5.4 to 5.5 were renumbered 5.3 to 5.4.

6. Page 16, Section 6, Parity Obligations. The existing language in Section 6.2 was modified to create a new Section 6.1.(D)(ii)(c) and a new Section 6.2, which read as follows:

- (c) Concluding that the amount of Adjusted Coverage Revenues in the fifth Fiscal Year described in Section 6.1.D(ii)(a) is at least equal to one hundred twenty-five percent (125%) of the Maximum Annual Bond Debt Service, calculated for the period beginning with that fifth Fiscal Year on all then Outstanding Bonds, with the proposed Parity Bonds treated as Outstanding.
- 6.2 The City may adjust Coverage Revenues for purposes of Section 6.1.D(i) by adding any Coverage Revenues or Net Revenues the Authorized Officer calculates the City would have had during the Base Period because of increases in Water System and/or Wastewater System rates, fees and charges that have been adopted by the City

and are in effect on or before the date the Parity Obligations are issued. The City shall adjust Coverage Revenues for the Base Period by eliminating the effect of any withdrawals from or deposits to the Rate Stabilization Account.

7. Page 20, Section 10, Events of Default and Remedies. In Section 10.2(B)(i), the time period before the City can be provided with a notice of default was changed from 30 to 60 days.
8. Page 22, Section 10, Events of Default and Remedies. In Section 10.2, a new subsection J was added which reads as follows:
 - J. Appointment of Trustee. Whenever any Event of Default exists, Owners representing 51 percent or more of the Outstanding Bonds may appoint a commercial bank with a reported capital and surplus in excess of \$50 million as trustee (the “Trustee”) to represent the interest of the Owners.

Subsections J and K were renumbered K and L.

9. Page 22, Section 11, Amendment of Master Declaration. Section 11.1 was modified by deleting subsection D, and subsections E through I were renumbered D through H.
10. Page 30, Section 16, The Series 2018 Bonds. Section 16.1 was modified to change the amount of the bonds from \$3,500,000 to \$3, 600,000.