BILL 2022-24

Second/Final Reading

Agenda Item

TO: Mayor and City Council

FROM: Zachary Johnson, Utility Director

DATE: June 21, 2022

RE: Sewerage System Improvements (Certificates of Participation Series 2022-A)

Issues

The City of Cameron is required to perform certain improvements to their sewerage system facility in order to continue operating in accordance with the Missouri Department of Natural Resources guidelines. The completion of the sewerage system facility will require the City to issue a certificate of participation lease.

In order to complete this certificate of participation transaction, the City desires to engage D.A. Davidson & Co., of Kansas City, Missouri, an investment banking firm, to serve as underwriter and Gilmore & Bell, P.C., of Kansas City, Missouri, a law firm, to serve as special counsel for the authorization, issuance, sale and delivery of the certificates of participation for this sewerage system improvement.

This ordinance authorizes the City to issue Certificates of Participation in the amount of $3,730,000 for the purpose of constructing and equipping the sewerage system facility in the City of Cameron.

Recommendation

Staff recommends the Council approve the following ordinance issuing Series 2022 Certificates in the amount of $3,730,000 for the purpose of completing the Wastewater Treatment Facility Disinfection System Improvements.

Bill 2022-24

AN ORDINANCE AUTHORIZING THE CITY OF CAMERON, MISSOURI, TO ENTER INTO A LEASE PURCHASE TRANSACTION TO PAY COSTS OF SEWER SYSTEM IMPROVEMENTS AND APPROVING THE EXECUTION OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, the City of Cameron, Missouri (the **"City"**), has previously entered into a Lease Purchase Agreement dated as of October 1, 2014 (the **"Original Lease"**), between UMB Bank, N.A., as trustee and lessor (the **"Trustee"**), and the City, as lessee, pursuant to which the Trustee has leased to the City, with an option to purchase, all equipment, apparatus and materials acquired and installed in connection with the construction and installation of water system improvements and equipment, the construction of improvements and extensions to the City's sewerage collection system and the engineering and design work for sewerage collection system improvements, including the engineering and design work associated with the planned construction and installation of major upgrades to the City's wastewater treatment plant (collectively, the **"2014 Project"**), to the extent that costs of such equipment, apparatus and materials acquired and installed in connection with the 2014 Project were paid for with proceeds of the hereinafter defined Series 2014 Certificates (the **"2014 Leased Property"**); and

WHEREAS, in order to pay the costs of such 2014 Project, the Trustee has previously delivered Certificates of Participation (Water and Sewer System Improvements), Series 2014 (the **"Series 2014 Certificates"**), in the original principal amount of $5,075,000, pursuant to a Declaration of Trust dated as of October 1, 2014 (the **"Original Declaration of Trust"**), made by the Trustee; and

WHEREAS, the City has also previously entered into a First Supplemental Lease Purchase Agreement dated as of October 1, 2016 (the **"First Supplemental Lease"**), between the Trustee, as trustee and lessor, and the City, as lessee, which amended and supplemented the Original Lease, pursuant to which the Trustee has leased to the City, with an option to purchase, all equipment, apparatus and materials acquired and installed in connection with the construction and installation of major upgrades to the City's wastewater treatment plant and other sewerage collection system improvements (collectively, the **"2016 Project"**) to the extent that costs of such equipment, apparatus and materials acquired and installed in connection with the 2016 Project were paid for with proceeds of the hereinafter defined Series 2016 Certificates (the **"2016 Leased Property"**); and

WHEREAS, in order to pay the costs of such 2016 Project, the Trustee has previously delivered Certificates of Participation (Water and Sewer System Improvements), Series 2016 (the **"Series 2016 Certificates"**), in the original principal amount of $3,900,000, pursuant to a First Supplemental Declaration of Trust dated as of October 1, 2016 (the **"First Supplemental Declaration of Trust"**), made by the Trustee, which amended and supplemented the Original Declaration of Trust; and

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WHEREAS, the City now proposes to enter into a Second Supplemental Lease Purchase Agreement (the **"Second Supplemental Lease"**), which amends and supplements the Original Lease as previously amended and supplemented by the First Supplemental Lease (collectively, the **"Lease"**), pursuant to which the Trustee will lease to the City, with an option to purchase, all equipment, apparatus and materials acquired and installed in connection with the construction and installation of disinfection upgrades and improvements to the City's wastewater treatment plant, including replacing the grit pump and classifier in the headworks, installing an intermediate pump station, and installing a UV disinfection system, as well as other improvements to the City's sewerage collection system (collectively, the **"2022 Project"**) to the extent that costs of such equipment, apparatus and materials are acquired and installed in connection with the 2022 Project are paid for with proceeds of the hereinafter defined Series 2022 Certificates (the **"2022 Leased Property,"** together with the 2014 Leased Property and the 2016 Leased Property, the **"Leased Property"**); and

WHEREAS, in order to facilitate the foregoing and to pay the costs thereof, it is necessary and desirable for the City to take the following actions:

(a) Enter into the Second Supplemental Lease, the form of which is attached hereto as **Exhibit A**, pursuant to which the City, as lessee, will lease on a year-to-year basis from the Trustee, with an option to purchase, the Leased Property;

(b) Approve a Second Supplemental Declaration of Trust (the **"Second Supplemental Declaration of Trust"**), the form of which is attached hereto as **Exhibit B**, which amends and supplements the Original Declaration of Trust, as previously amended and supplemented by the First Supplemental Declaration of Trust (collectively, the **"Declaration of Trust"**) to be made and delivered by the Trustee, pursuant to which the Trustee will execute and deliver Certificates of Participation (Sewer System Improvements), Series 2022 (the **"Series 2022 Certificates"**), evidencing proportionate interests in the right to receive Basic Rent Payments payable pursuant to the Lease, the sale proceeds of which will be held in trust by the Trustee under the Declaration of Trust for use in paying costs of the 2022 Project and paying costs of issuing the Series 2022 Certificates;

(c) Enter into a Continuing Disclosure Agreement (the "**Continuing Disclosure Agreement"**) with the Trustee pursuant to which the City agrees to provide certain financial and other information with respect to the Series 2022 Certificates, the form of which is attached hereto as **Exhibit C**;

(d) Enter into a Tax Compliance Agreement (the **"Tax Compliance Agreement"**) with the Trustee pursuant to which the City makes certain representations and covenants related to the exclusion of the interest portions of Basic Rent under the Lease that is distributable to the owners of the Series 2022 Certificates from gross income for purposes of federal income taxation, the form of which is attached hereto as **Exhibit D**;

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(e) Approve an Official Statement relating to the Lease and the Series 2022 Certificates, to be in substantially the same form as the Preliminary Official Statement (the **"Official Statement"**), the form of which is attached hereto as **Exhibit E**; and

(f) Approve a Certificate Purchase Agreement (the **"Certificate Purchase Agreement"**), among the City, D.A. Davidson & Co., Kansas City, Missouri, as the initial purchaser and underwriter of the Series 2022 Certificates (the "**Underwriter"**), and the Trustee, the form of which is attached hereto as **Exhibit F**.

The Lease, the Continuing Disclosure Agreement, the Tax Compliance Agreement, the Official Statement and the Certificate Purchase Agreement are referred to together herein as the **"City Documents."**

WHEREAS, the City Council of the City further finds and determines that it is necessary and desirable in connection with the lease of the Leased Property and the delivery of the Series 2022 Certificates that the City enter into certain documents, and that the City take certain other actions and approve the execution of certain other documents as herein provided;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CAMERON, MISSOURI, AS FOLLOWS:

Section 1. Approval of Sale and Delivery of the Series 2022 Certificates.

(a) Subject to the limitations set forth below, the City hereby approves the delivery by the Trustee of the Series 2022 Certificates for the purpose of (1) paying the costs of the 2022 Project, and (2) paying the costs of issuing the Series 2022 Certificates. The Series 2022 Certificates shall be issued and secured pursuant to the Declaration of Trust. The Series 2022 Certificates shall become due in the years and in the respective principal amounts and shall bear interest from the date thereof payable semiannually on the dates and at the respective rates per annum, as shown in the Second Supplemental Declaration of Trust and the herein approved Certificate Purchase Agreement, subject to the following limitations:

(1) Original Principal Amount: The original aggregate principal amount of the Series 2022 Certificates shall not exceed $3,730,000; and

(2) Underwriter's Discount: The Underwriter's discount specified in the purchase price of the Series 2022 Certificates shall not exceed 1.75% of the original aggregate principal amount of the Series 2022 Certificates; and

(3) Costs of Issuance: The total costs of issuing the Series 2022 Certificates, excluding the Underwriter's discount, shall not exceed 2.0% of the original aggregate principal amount of the Series 2022 Certificates; and

(4) Final Maturity: The Series 2022 Certificates shall have a final maturity not later than March 1, 2046; and

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(5) True Interest Cost: The Series 2022 Certificates shall bear interest at a true interest cost not to exceed 5.50% per annum; and

(6) Optional Prepayment: The Series 2022 Certificates shall be subject to optional prepayment at the option of the City, as a whole or in part, on or after a date that is not later than March 1, 2032, at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent Payments represented by the Series 2022 Certificates being prepaid, plus the Interest Portion of Basic Rent Payments accrued to the Prepayment Date.

(b) Subject to the limitations set forth in subsection **(a)** above, the Series 2022 Certificates shall be sold to the Underwriter at the prices and upon the terms and conditions set forth in the herein approved Certificate Purchase Agreement, and the final terms of the Series 2022 Certificates shall be set forth in the Certificate Purchase Agreement, the other City Documents and the Second Supplemental Declaration of Trust.

Section 2. **Authorization and Approval of the City Documents and Second Supplemental Declaration of Trust.** Subject to the limitations set forth in **Section 1(a)** hereof, the City Documents and the Second Supplemental Declaration of Trust are hereby approved in substantially the forms submitted to and reviewed by the City Council on the date hereof, with such changes therein as are approved by the Mayor, the City Manager, the City Clerk and the City Finance Director. The Mayor's execution of the City Documents will be conclusive evidence of such approval. The Mayor is hereby authorized and directed to execute and deliver the City Documents on behalf of and as the act and deed of the City. The City Clerk is hereby authorized to affix the City's seal to the City Documents and attest said seal.

Section 3. Limited Obligations.

(a) The obligation of the City to pay Basic Rent (as defined in the Lease) under the Lease distributable to the owners of the Series 2022 Certificates is subject to annual appropriation and shall constitute a current expense of the City and shall not in any way be construed to be an indebtedness or liability of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness or liability by the City, nor shall anything contained in the Lease constitute a pledge of the general tax revenues, funds or moneys of the City, and all provisions of the Lease shall be construed so as to give effect to such intent.

(b) Moneys sufficient to pay all Basic Rent Payments (as defined in the Lease) distributable to the owners of the Series 2022 Certificates scheduled to become due under the Lease during the City's current fiscal year ending September 30, 2022, if any, are hereby appropriated to such payment, and such moneys will be applied in payment of said Basic Rent Payments due and payable during the current fiscal year.

Section 4. Approval of Preliminary and Final Official Statement.

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(a) The Preliminary Official Statement, attached hereto as **Exhibit F**, is hereby ratified and approved, and the final Official Statement is hereby authorized and approved by supplementing, amending and completing the Preliminary Official Statement, with such changes and additions thereto as are necessary to conform to and describe the transaction. The Mayor is hereby authorized to execute the final Official Statement as so supplemented, amended and completed, and the use and public distribution of the final Official Statement by the Underwriter in connection with the reoffering of the Series 2022 Certificates is hereby authorized. The proper officials of the City are hereby authorized to execute and deliver a certificate pertaining to such Official Statement as prescribed therein, dated as of the date of payment for and delivery of the Series 2022 Certificates.

(b) For the purpose of enabling the Underwriter to comply with the requirements of SEC Rule 15c2-12(b)(1), the City hereby deems the information regarding the City contained in the Preliminary Official Statement to be "final" as of its date, except for the omission of such information as is permitted by SEC Rule 15c2-12(b)(1), and the appropriate officers of the City are hereby authorized, if requested, to provide the Underwriter a letter or certification to such effect and to take such other actions or execute such other documents as such officers in their reasonable judgment deem necessary to enable the Underwriter to comply with the requirement of such Rule.

(c) The City agrees to provide to the Underwriter within seven business days of the date of the sale of Series 2022 Certificates sufficient copies of the final Official Statement to enable the Underwriter to comply with the requirements of SEC Rule 15c2-12(b)(4) and with the requirements of Rule G-32 of the Municipal Securities Rulemaking Board.

Section 5. Further Authority. The officers, agents and employees of the City, including the Mayor, the City Clerk, the City Manager and the City Finance Director, shall be, and they hereby are, authorized and directed to execute all documents and take such actions as they may deem necessary or advisable in order to carry out and perform the purposes of this Ordinance, and to carry out, comply with and perform the duties of the City with respect to the City Documents and the Declaration of Trust, to make alterations, changes or additions in the foregoing agreements, statements, instruments and other documents herein approved, authorized and confirmed that they may approve, and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.

Section 6. **Effective Date.** This Ordinance will take effect and be in full force from and after its passage and approval.

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Read and passed on first reading only the 6th day of June, 2022.

Read and passed on second reading this 21st day of June, 2022.

_____
Mayor Roy Estes

ATTEST:

_____
City Clerk Shellie J. Blades

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EXHIBIT A

SECOND SUPPLEMENTAL LEASE

[*Attached*]

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EXHIBIT B

SECOND SUPPLEMENTAL DECLARATION OF TRUST

[*Attached*]

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EXHIBIT C

CONTINUING DISCLOSURE AGREEMENT

[*Attached*]

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EXHIBIT D

TAX COMPLIANCE AGREEMENT

[*Attached*]

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EXHIBIT E

PRELIMINARY OFFICIAL STATEMENT

[*Attached*]

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EXHIBIT F

CERTIFICATE PURCHASE AGREEMENT

[*Attached*]

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