



CITY OF ATASCADERO AND ATASCADERO FINANCING AUTHORITY

STAFF REPORT

Item H1

Department: Administrative
Services
Date: 9/23/25
Placement: Public Hearings

TO: JAMES R. LEWIS, CITY MANAGER

FROM: JERI RANGEL, DIRECTOR OF ADMINISTRATIVE SERVICES

PREPARED BY: JERI RANGEL, DIRECTOR OF ADMINISTRATIVE SERVICES

SUBJECT: City of Atascadero and the Atascadero Financing Authority Approve/
Authorize the Issuance of Lease Revenue Bonds, Series 2025a

RECOMMENDATIONS:

1. Council hold a public hearing on the financing of the Projects.
2. Council adopt Draft Resolution authorizing the execution and delivery by the City of Atascadero of a Ground Lease, Lease Agreement, Indenture, and Bond Purchase Agreement in connection with the issuance of Atascadero Financing Authority Lease Revenue Bonds, approving the issuance of such bonds in an aggregate principal amount of not to exceed \$33 million, authorizing the distribution of an official statement in connection with the offering and sale of such bonds, and authorizing the execution of necessary documents and certificates and related actions.
3. Board of Directors adopt Draft Resolution authorizing the execution and delivery by the authority of a Ground Lease, Lease Agreement, Indenture, Assignment Agreement, and Bond Purchase Agreement in connection with the issuance of Atascadero Financing Authority Lease Revenue Bonds, authorizing the issuance of such bonds in an aggregate principal amount of not to exceed \$33 million, authorizing the distribution of an official statement in connection with the offering and sale of such bonds, and authorizing the execution of necessary documents and certificates and related actions.

DISCUSSION:

BACKGROUND

In 2021, the City of Atascadero (the "City") adopted the 2021-2023 action plan which was a culmination of a robust public outreach effort and outlined four separate strategic priorities:

Economic & Community Vibrancy, Fiscal Infrastructure Efficiency & Sustainability, Ensuring Public Safety and Providing Exceptional City Services, and Quality of Life. This plan identified priorities for the public safety project which will be funded by the Atascadero Financing Authority's Lease Revenue Bonds, Series 2025A ("2025A Bonds").

The Project consists of the design, construction, and rehabilitation of certain public capital improvements located on City-owned property and is intended to comprehensively address three aging City public safety facilities. As part of the Project, the City will replace the outdated and structurally deficient Fire Station No. 1 with a newly constructed, approximately 17,000-square-foot fire station. The new Fire Station No. 1 will also include an attached Emergency Operations Center. The Project further includes the renovation and modernization of Fire Station No. 2 to bring the facility into compliance with current safety standards, applicable codes, and operational requirements. In addition, the Project provides for improvements to the City's Police Headquarters to enhance operational efficiency and align the facility with modern policing standards. These improvements are expected to include upgraded security systems, refreshed interior finishes, improvements to restrooms and locker rooms, and the construction of a new, detached dispatch building of approximately 1,300 square feet.

The Project is expected to be completed in three phases ending in Fall 2027.

PUBLIC HEARING

In accordance with Government Code Section 6586.5(a)(2), the City must hold a public hearing to consider public testimony concerning the possible issuance of bonds by the Authority to finance certain public capital improvements within the boundaries of the City. The City Resolution approves the sale of bonds by the Authority and finds that there are significant public benefits in connection with the Projects, and the associated financing thereof, with bond proceeds.

This meeting has been convened as a joint meeting of the City Council and the Authority Board of Directors in order to allow the City Council, and the Council Members acting in their capacity as the Authority Board of Directors, to hold the hearing as described above and consider adoption of resolutions of each body approving or authorizing the issuance of bonds by the Authority and approving the form of related financing documents and other actions.

SUMMARY OF FINANCING DOCUMENTS

The City can generate proceeds required to complete the Project through the issuance of the 2025A Bonds, which would be secured by legally available funds of the City's General Fund and would not require an increase in taxes to its residents.

Under this financing mechanism, the Authority would issue the 2025A Bonds. The Authority and the City would simultaneously enter into a Ground Lease whereby the City leases city-owned property ("Leased Assets") to the Authority and a Lease Agreement whereby the Authority leases

the Leased Assets back to the City in consideration for semi-annual lease payments, which in turn, are used to pay debt service on the 2025A Bonds.

The Resolutions approve the financing plan outlined above, appoint and retain the financing team, including Urban Futures, Inc., as Municipal Advisor; Stradling Yocca Carlson & Rauth LLP as Bond and Disclosure Counsel; Piper Sandler & Co. as Underwriter; and The Bank of New York Mellon Trust Company, N.A., as Trustee; and approve all documents and actions needed to authorize the issuance and sale of the 2025A Bonds, including the form financing documents provided herein, together with any changes or additions deemed advisable and approved by any Authorized Officer, upon consultation with Bond Counsel. Because certain numbers and information related to the financing are unknown until the 2025A Bonds are sold, after the sale of the 2025A Bonds, such final numbers and information will be populated into the documents and approved by an Authorized Officer before execution of the financing documents and closing of the transaction. The following documents and information related to the transaction are included herein:

- Ground Lease and Lease Agreement: The Ground Lease and Lease Agreement provide for the City to lease the Leased Assets (City Hall, Fire Station 1, Fire Station 2, and the Police Department Headquarters) to the Authority, and for the Authority to lease the Leased Assets back to the City in consideration of the payment by the City to the Authority of semi-annual base rental payments, which are pledged to the repayment of the 2025A Bonds. The City's rental payments will be due on dates and in amounts to enable the Authority to pay scheduled debt service on the 2025A Bonds. In addition, under the Lease Agreement the City would agree to annually budget for and appropriate the rental payments for the use and occupancy of the Leased Assets. The City is responsible for maintenance, repair, and insurance for the Leased Assets. The City will have the right to release City Hall from the Lease Agreement and Ground Lease upon completion of the Project.
- Indenture: The Indenture sets forth the terms and conditions of the 2025A Bonds, including the pledge of revenues, redemption provisions, investment and management of funds and accounts, repayment mechanisms, and the rights and obligations of the City, the Authority, the municipal bond insurer, if any, the Trustee (The Bank of New York Mellon Trust Company, N.A.), and the bondholders. Under the Indenture, the Trustee directly receives the base rental payments made by the City under the Lease Agreement, which are equal in amount to the interest and principal payments due on the 2025A Bonds. The Trustee receives and disburses the rental payments semiannually to holders of the 2025A Bonds as payments of interest and principal.
- Assignment Agreement: Under the Assignment Agreement, the Authority agrees to assign to the Trustee its right to receive the City's base rental payments made under the Lease Agreement.

- Bond Purchase Agreement: The Bond Purchase Agreement among the Authority, the City, and Piper Sandler & Co. (the Underwriter) defines the terms and conditions under which the 2025A Bonds will be purchased by the Underwriter.
- Preliminary Official Statement (“POS”): The POS will be distributed to prospective purchasers of the 2025A Bonds. The POS must contain all facts material to potential purchasers of the 2025A Bonds, including information regarding the security for the bonds and the City’s General Fund (certain pricing information is permitted to be completed in the final Official Statement). The POS must not omit any material facts. The POS is required to satisfy the City’s obligation under federal securities laws to provide all material information to potential purchasers of the 2025A Bonds and must be accurate and complete in all material respects.

The City Council, as the governing body of the City and the Authority, has an obligation to ensure that the POS includes all information that would be material to a prospective investor’s decision whether to purchase the 2025A Bonds. While the City’s Disclosure Counsel, Municipal Advisor, and the Underwriter have participated in preparing the documents, the City is ultimately responsible for ensuring that the POS is accurate, contains no misleading information, and does not omit any information necessary to make the POS not misleading to investors.

- Continuing Disclosure Certificate: The Continuing Disclosure Certificate will be delivered by the City for the benefit of owners of the 2025A Bonds and in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission. This document describes various annual and certain event reporting and disclosure obligations of the City, as required by federal securities laws.

The City Resolution (Attachment 1) and the Authority Resolution (Attachment 2) also set forth certain not-to-exceed parameters for the 2025A Bonds, including a principal amount not exceeding \$33 million, a true interest cost not exceeding 5.75%, and an underwriter’s discount not exceeding 0.65% of the principal amount of the 2025A Bonds. These not-to-exceed parameters are meant to provide some flexibility and cushion in case market conditions change.

The 2025A Bonds are expected to be sold to the Underwriter, who will market the 2025A Bonds to investors through a public offering. In offering the 2025A Bonds to the public, the City and Authority must comply with the “anti-fraud rules” of federal securities laws under Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934 (the “1934 Act”), and the regulations adopted by the Securities and Exchange Commission under those laws, particularly “Rule 10b-5” adopted under the 1934 Act. The City and Authority have undertaken various practices and procedures to ensure compliance with the anti-fraud rules of federal

securities laws in connection with the preparation of the POS. Further, the Continuing Disclosure Certificate is intended to assist the Underwriter in complying with its obligations under Rule 15c2-12(b)(5), as described above. To ensure compliance with the anti-fraud rules going forward, the City and Authority Resolutions adopt written policies and procedures as set forth in the Policy for Disclosure Procedures attached hereto (the “Disclosure Procedures”).

NEXT STEPS

On September 17, 2025, City staff and the financing team met with S&P Global Ratings to discuss the bond issuance, and the financing team expects to receive the rating on or around September 25th. If the City Council and Board of Directors adopt the Resolutions approving/authorizing the issuance of the 2025A Bonds, the financing team will proceed with seeking bond insurance bids and will distribute the Preliminary Official Statement to potential purchasers of the bonds on or around September 30th. The 2025 Bonds are expected to be sold the week of October 6th and delivered the week of October 20th, at which time the City would receive the bond proceeds.

FISCAL IMPACT:

Pursuant to Government Code Section 5852.1, good faith estimates (obtained from the underwriter and the municipal advisor) must be disclosed at a public meeting before the authorization of the 2025A Bonds. Required good faith estimates are provided in the applicable resolutions; the table below summarizes those estimates and includes additional information.

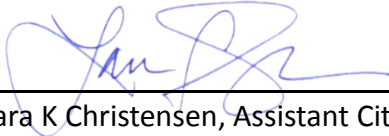
	2025A Bonds
Principal Amount:	\$29,050,000
Final Maturity:	May 1, 2055
True interest cost:	4.90%
Finance charge:	\$812,838
Amount of project proceeds received:	\$29,613,113
Average annual debt service:	\$1,937,283
Total debt service payment amount:	\$57,203,649

* These are good faith estimates only and are based on market rates as of September 3, 2025. Final results will likely differ based on market conditions as of the actual sale date and other factors. However, for the financing to proceed, the not-to-exceed parameters described in the previous section must be met.

REVIEWED BY OTHERS:

This item has been reviewed by the City Attorney’s office.

REVIEWED AND APPROVED FOR COUNCIL AGENDA



Lara K Christensen, Assistant City Manager

ATTACHMENTS:

1. City Resolution
2. Authority Resolution
3. Form of Indenture
4. Form of Ground Lease
5. Form of Lease Agreement
6. Form of Assignment Agreement
7. Form of Bond Purchase Agreement
8. Preliminary Official Statement (with Form of Continuing Disclosure Certificate included as Appendix E)
9. Disclosure Procedures