



## Staff Report

**TO:** City Council  
**FROM:** Elizabeth Gibbs, City Manager  
**DATE:** June 3, 2025  
**SUBJECT:** Proposed Refunding of the Outstanding Beaumont Public Improvement Authority Wastewater Revenue Bonds, Series 2018A

---

**Description** The report seeks City Council and Beaumont Public Improvement Authority approval of related bond documents, including the Preliminary Official Statement, Bond Indenture, Installment Purchase Agreement, Escrow Agreement, and Bond Purchase Contract. Final bond pricing and issuance will occur once savings targets are met, with a target pricing date in mid-June, contingent upon favorable market conditions.

### **Background and Analysis:**

Over the years, staff and City Council have been proactive in monitoring outstanding debt for refunding candidates. Earlier this year, staff and its financing team identified an opportunity to refund the outstanding Beaumont Public Improvement Authority (“Authority”) Wastewater Revenue Bonds, Series 2018A (“2018A Bonds”).

In September 2018, the Authority issued \$81,105,000 of the 2018A Bonds to finance improvements to the City-owned Beaumont Wastewater Treatment Plant. The 2018A Bonds are payable from revenues of the wastewater system. Currently, there is \$79,290,000 of par amount outstanding of the 2018A Bonds. The 2018A Bonds were structured with a final term of 2049 and a final interest rate of 5.00%. The call date of the 2015A Bonds is September 1, 2025, at a redemption price of 103%.

Similar to the structure of the 2018A Bonds, the proposed Wastewater Revenue Refunding Bonds, Series 2025A (“2025 Bonds”) contemplates an issuance through the Authority. The 2025 Bonds will maintain the same final maturity (September 1, 2049) as the 2018A Bonds. In other words, there would be no extension of the 2018A Bonds. Furthermore, annual debt payments on the 2025 Bonds would not be higher than existing debt payments on the 2018A Bonds.

The plan of finance of the 2025 Bonds would involve not only a refunding of the 2018A Bonds but also the financing of capital improvements to the wastewater system including, but not limited to:

- installing a ground-mounted solar array at the Treatment Plant to offset power consumption using a behind-the-meter array sized to the plant's average energy demand;
- adding a third centrifuge to accommodate a 25% annual increase in biosolids production while enhancing the Treatment Plant's capacity; and
- expanding the Treatment Plant's fine screens to further increase capacity.

It is expected that the 2025 Bonds will receive at least the same rating as the 2018A Bonds (A+ from S&P) based on the strong credit characteristics of the City and its wastewater system. Additionally, the 2025 Bonds are also expected to qualify for bond insurance, which would lead to a lower cost of borrowing.

Staff and City Council have set a minimum savings threshold of 3.0% net present value savings, a benchmark frequently mentioned by GFOA (Government Finance Officers Association) to determine the appropriateness of a refunding. In other words, staff and the financing team will not proceed with the issuance of refunding bonds until 3.0% net present value savings is achieved.

City Council (representing the City as a member of the Authority) and the Authority (as issuer of the 2025 Bonds) are being asked to approve the issuance of the 2025 Bonds and all related documents, as further described herein. If the 2025 Bonds are approved this evening, staff will work with the financing team on finalizing all legal documents and the preliminary official statement with the goal of pricing the refunding bonds when the minimum net present value savings threshold is achieved.

As required under Section 5852.1 of the California Government Code, good faith estimates have been provided to the City by Urban Futures, Inc., the Municipal Advisor, in consultation with Stifel, Nicolaus & Company, Incorporated, as underwriter of the 2025 Bonds as Attachment 1.

### **Documents Subject to Approval**

There is a resolution presented for consideration by City Council, representing the City as a member of the Authority, to approve its documents with respect to the 2025 Bonds.

The City Council members are members of the Board of Directors of the Authority. Approval by the Board of Directors of the Authority of its resolution presented at this meeting approves its documents with respect to the 2025 Bonds.

The documents for consideration by the City Council and the Boards of Directors of the Authority are described below. Approval of the Resolutions approves the preparation, form, and/or authorizes the execution and delivery of the following documents:

- **Preliminary Official Statement (POS):** The POS is the ‘offering document,’ providing a description of the wastewater system, the 2025 Bonds, and all other information that would be material to a prospective investor’s decision on whether to purchase the 2025 Bonds. While the City’s counsel, consultants, and underwriter have participated in preparing the POS, Council and staff are 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.
- **Bond Indenture:** This document contains the terms of the 2025 Bonds, including payment and redemption provisions, definition and pledge of revenues to pay the 2025 Bonds, Rights and Duties of the Trustee, remedies upon a default in the payment of the underlying obligations, and final discharge of the underlying obligations and other related matters.
- **Installment Purchase Agreement:** Establishes specific terms and conditions under which wastewater system revenues are pledged to repay the 2025 Bonds. It also contains key covenants related to the issuance of additional debt and setting rates and charges.
- **Escrow Agreement:** This document contains terms by which the Zions Bancorporation, National Association, as escrow agent, will hold bond proceeds on the behalf of the owners of the 2018A Bonds to pay and discharge the outstanding bonds on the redemption dates.
- **Bond Purchase Contract:** Pursuant to the Bond Purchase Contract, the Authority agrees to sell the 2025 Bonds to the underwriter and the underwriter agrees to purchase the 2025 Bonds, subject to typical closing conditions. City staff, its municipal advisor, and bond counsel will sign off on the final pricing prior to the execution of the Bond Purchase Contract.

The financing team has reviewed the attached documents on behalf of the City. As previously mentioned, if the Resolutions are approved, City staff will continue to work with the appointed financing team to finalize all the documents. The pricing date, assuming interest rates remain favorable and savings thresholds are met, is currently targeted for mid-June.

#### **Fiscal Impact:**

The 2025 Bonds will be paid from revenues of the wastewater system. Except for a rating cost from Standard & Poor’s (which can be reimbursed from bond proceeds),

there is no impact to the City's General Fund. All other financing costs related to the 2025 Bonds will be paid from bond proceeds.

The estimated cost to prepare this report is \$560.

**Recommended Action:**

Waive the full reading and adopt by title only, "Resolution of the City Council of the City of Beaumont approving the execution and delivery of the Installment Purchase Agreement for the purpose of causing the issuance of the Wastewater Revenue Refunding Bonds, Series 2025A in an aggregate principal amount not to exceed eighty million dollars (\$80,000,000) and approving the execution and delivery of certain documents in connection therewith and certain other matters" and recess the City Council meeting.

Convene a meeting of the Board of Directors of the Beaumont Public Improvement Authority and waive the full reading and adopt by title only, "Resolution of the Board of Directors of the Beaumont Public Improvement Authority approving the issuance of its Wastewater Revenue Refunding Bonds, Series 2025A in an aggregate principal amount not to exceed eighty million dollars (\$80,000,000) and approving the execution and delivery of certain necessary documents and certificates in connection therewith and related actions" and adjourn the Board Meeting and reconvene the City Council meeting.

**Attachments:**

- A. Good Faith Estimates
- B. City Resolution
- C. Authority Resolution
- D. Official Statement
- E. Bond Indenture
- F. Installment Purchase Agreement
- G. Escrow Agreement
- H. Bond Purchase Contract
- I. City Council Presentation (Wastewater Refi)