



Watsonville
CALIFORNIA

CITY COUNCIL AGENDA REPORT

MEETING DATE: Tuesday, May 27, 2025
TO: CITY COUNCIL AND WATSONVILLE PUBLIC FINANCE AUTHORITY
RECOMMENDED BY: ADMINISTRATIVE SERVICES DIRECTOR DURAN
APPROVED BY: TAMARA VIDES, CITY MANAGER
SUBJECT: CITY OF WATSONVILLE AND WATSONVILLE PUBLIC FINANCE
AUTHORITY APPROVE/AUTHORIZE ISSUANCE OF LEASE REVENUE
BONDS, SERIES 2025, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO
EXCEED \$13,000,000 TO FINANCE PROTION OF RAMSAY PARK AND
CITY PLAZA CAPITAL IMPROVEMENTS

RECOMMENDATION:

1. City Council: Hold a public hearing on the financing of the Projects.
 2. City Council: Adopt Resolution a Resolution of the City Council of the City of Watsonville authorizing the execution and delivery by the City of Watsonville of a Ground Lease, Lease Agreement, Indenture, Continuing Disclosure Certificate and Bond Purchase Agreement in connection with the issuance of Watsonville Public Finance Authority Lease Revenue Bonds, Series 2025, approving the issuance of such bonds in an aggregate principal amount not to exceed \$13,000,000, 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 a Resolution of the Board of Directors of the Watsonville Public Finance Authority 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 Watsonville Public Finance Authority Lease Revenue Bonds, Series 2025, authorizing the issuance of such bonds in an aggregate principal amount not to exceed \$13,000,000, 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.
-

BACKGROUND:

The City of Watsonville maintains 143 acres of park space, 70 acres of which consist of the City portion of

Pinto Lake. This equates to 2.5 acres of parkland per 1,000 residents, a far cry from the national average of 10 acres per 1,000. One needs only to compare Watsonville's 143 acres of parkland to the City of Santa Cruz's 1,700 acres to realize that our residents have extremely disproportionate access to parks, playgrounds, and open space.

Research has shown time and time again that residents of neighborhoods of color have access to 44% less park space per person than those of white neighborhoods. Communities with fewer park spaces are hotter in summer, have worse air quality, and are more susceptible to catastrophic flooding. People without parks close to home get less exercise, and a lack of access is associated with higher rates of heart disease, stroke, and obesity. Because access to parks is tied to overall community health, it is critical that the limited park space available to our community consists of quality, safe and well-maintained outdoor space.

Ramsay Park and the City Plaza have historically been identified and prioritized as the City's most significant and highly used park assets. Over the past two decades, the City has prioritized investment in improvements to amenities at both sites.

At 26 acres, Ramsay Park is the City's largest park and is often considered the community's hub for recreation. The last major renovations to the site were completed over 30 years ago, bringing in new play structures and a ballfield, with the skatepark and pump track added in the past decade. A community call for reinvestment of this key space is demonstrated by a two-decade-long conversation with the community through countless meetings with hundreds of residents over three state grant applications that ultimately went unfunded, especially regarding improvements to the soccer field and play areas.

Known as the "heart of the city," the City Plaza has been the focus of community gatherings and celebrations for well over a century. The Plaza's designation on the National Register of Historic Places points to several key features, including a bandstand, water fountain, historic cannons, and other elements that have been added throughout the space's close to 175-year history. All these features need repair and restoration. The historic gazebo/bandstand, although iconic in local imagery, has not been usable since the 1989 Loma Prieta Earthquake and is too small to serve as a modern performance venue.

In 2019, the City of Watsonville Parks and Community Services Department worked with Verde Design to lead a community input process to develop the Department's Strategic Plan and park master plans for the City Plaza and Ramsay Park. A comprehensive community input process was used to create the [2020 Parks and Recreation Strategic Plan](#) that identifies priorities for the Parks and Community Services Department for the next 5-10 years. The park master plans created through this process provided a vision and plan for these loved community spaces and positioned the projects well for funding through grants, earmarks and community investment.

Through the support of Speaker Rivas, the City received \$7 million in specified grant funds from the State of California to improve the soccer field. Shortly after, the City allocated a portion of its ARPA funds to augment this project and convert the softball field into a multiuse softball/soccer field. Simultaneously, the City invested CIP funds for the design of the project and secured grant funds to provide seed money

for construction of a new dog park and playground. With Watsonville residents passing Measure R in 2022, it has long been discussed that this new revenue could be used to fully fund construction of the playground, dog park and supporting amenities (parking lots, pathways and trails), with the whole project collectively now known as the Ramsay Park Renaissance. The Council awarded the construction contract for this project in March 2024.

In 2021, the City was awarded \$3,350,000 in Proposition 68 funds from the State of California for the City Plaza Revitalization Project. Due to the sharp rise in construction costs since the master plan was developed and this grant was awarded, it has long been anticipated that construction cost will exceed the grant award and that Measure R funds could be leveraged to complete most, if not all, of the master plan improvements. Staff have completed the design of this project and are awaiting permitting before going out to bid.

The Ramsay Park Renaissance Project and City Plaza Revitalization Project (“Projects”) are under way and will be funded by Measure R, State Grants, ARPA, the City’s General Fund, and a portion of the Watsonville Public Finance Authority Lease Revenue Bonds, Series 2025 (“2025 Bonds”) proceeds.

Staff and the financing team have been working on the 2025 Bonds for several months and are now ready to present, for consideration by the City Council and Board of Directors of the Watsonville Public Finance Authority (“Authority”), this financing that would generate \$12 million in bond proceeds to finance a portion of the Projects.

DISCUSSION:

Public Hearing

In accordance with Government Code Section 6586.5(a)(1), 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 Projects through the issuance of the 2025 Bonds, which would be secured by lease payments that are made by the City pursuant to a lease agreement. The lease payments would be made by the City from legally available funds which are expected to consist primarily of funds in 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 2025 Bonds. The Authority would simultaneously enter into a Ground Lease with the City whereby the City leases city-owned property ("Leased Assets") to the Authority in consideration of an upfront payment (generated by the issuance of the 2025 Bonds), and 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 2025 Bonds.

The Resolutions approve the financing plan outlined above, appoints and retains the financing team, including Urban Futures, Inc. as Municipal Advisor; Anzel Galvan LLP as Bond and Disclosure Counsel; Samuel A. Ramirez & Co. as Underwriter; and U.S. Bank Trust Company National Association as Trustee; and approves all documents and actions needed to authorize the issuance and sale of the 2025 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 2025 Bonds are sold, after the sale of the 2025 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, Youth Center, Parks and Community Services Building, and the Police/IT Building) to the Authority in consideration of an upfront rent payment, 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 rental payments are pledged to the repayment of the 2025 Bonds. The rental payments will be due on dates and in amounts to enable the Authority to pay scheduled debt service on the 2025 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 would further agree in the Lease Agreement to provide specified forms of insurance and to maintain the Leased Assets.

To comply with the Surplus Land Act, California Government Code Sections 54220 – 54234, the resolutions include the required findings and declarations to conclude that the Leased Assets under the Ground Lease and the Lease Agreement are "exempt surplus land." Under the Surplus Land Act, if a local agency leases property for a term of more than 15 years, it is generally required to first be offered for affordable housing purposes under a published notice of availability. However, a local agency may lease exempt surplus land without publishing a notice of availability. As relevant to the proposed Ground Lease and Lease Agreement, the Leased Assets are "exempt surplus land" because the property will be transferred from one local agency to another local agency for "the receiving agency's use" under Government Code Section 54221(f)(1)(D). In this case, the transfer from the City to the Authority under the Ground lease is exempt because the Authority will use the leased property in connection with the financing of the Project. The transfer of the Leased Assets from the Authority back to the City is exempt because the City will use the leased property for its legitimate City purposes in operating a City Hall, Youth Center, Parks and Community Services Building, and Police/IT Building.

- Indenture: The Indenture defines the terms and conditions of the 2025 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 (US Bank), and the bondholders. Under the Indenture, the Trustee directly receives rental payments made by the City under the Lease Agreement, which are equal in amount to the interest and principal payments due on the 2025 Bonds. The Trustee receives and disburses the rental payments semiannually to holders of the 2025 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 rental payments made under the Lease Agreement.
- Bond Purchase Agreement: The Bond Purchase Agreement among the Authority, the City, and Samuel A. Ramirez & Co. (the Underwriter) defines the terms and conditions under which the 2025 Bonds will be purchased by the Underwriter.
- Preliminary Official Statement (“POS”): The POS will be distributed to prospective purchasers of the 2025 Bonds. The POS must contain all facts material to potential purchasers of the 2025 Bonds, including information regarding the security for the bonds and the City (with certain permitted exceptions to be completed in the final Official Statement) must not omit any material facts. The POS is required to satisfy the City’s obligation under federal securities laws to provide material information to potential purchasers of the 2025 Bonds and must be accurate and complete in all material respects.

The City Council, as the governing body of the City, and the Board of Directors, as the governing body of the Authority, have an obligation to ensure that the POS includes all information that would be material to a prospective investor’s decision whether to purchase the 2025 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 2025 Bonds and 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 Resolutions also set forth certain not-to-exceed parameters for the 2025 Bonds, including a principal amount not exceeding \$13 million, a true interest cost not exceeding 4.5%, a final maturity not exceeding May 1, 2037, and an underwriter’s discount not exceeding 0.8% of the principal amount of the

2025 Bonds. These not-to-exceed parameters are meant to provide some flexibility and cushion in case market conditions change.

Next Steps

On May 22, 2025, City staff and the financing team met with S&P Global Ratings to discuss the bond issuance, and we expect to receive the rating by May 30th. If the City Council and Board of Directors adopt the Resolutions approving/authorizing the issuance of the 2025 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 about June 3rd. The 2025 Bonds are expected to be sold the week of June 9th and delivered the week of June 23rd, at which time the City would receive the bond proceeds.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) DETERMINATION:

The potential environmental impacts resulting from the recommended resolutions to authorize the Watsonville Public Finance Authority Lease Revenue Bonds have been adequately evaluated by previously adopted mitigated negative declarations, in accordance with the California Environmental Quality Act (CEQA), as authorized by CEQA Guidelines Section 15162. The recommended resolutions will authorize funding through the Lease Revenue Bonds of public improvement projects known as the Ramsay Renaissance Project and the Watsonville City Plaza Expansion and Revitalization Project. The Ramsay Renaissance Project was analyzed in an Initial Study/Mitigated Negative Declaration with a corresponding mitigation monitoring program that supported the City Council's award of the construction contract at its meeting on March 26, 2024. The Plaza Expansion and Revitalization Project was analyzed in the Mitigated Negative Declaration and mitigation monitoring program for which the Notice of Determination (Document Number 027-19 NOD) was filed with the Santa Cruz County Clerk on December 20, 2019.

STRATEGIC PLAN:

The issuance of the 2025 Bonds is consistent with Strategic Plan Priority:
2-Infrastructure & Environment

FINANCIAL 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 2025 Bonds. Required good faith estimates are provided in the applicable resolutions; the table below summarizes those estimates and includes additional information.

	2025 Bonds
Principal Amount:	\$11,375,000
Final Maturity:	May 1, 2035
True interest cost:	3.47%
Finance charge:	\$337,749
Amount of project proceeds received:	\$12,000,000
Average annual debt service:	\$1,485,201
Total debt service payment amount:	\$14,625,108

* These are good faith estimates only and are based on market rates as of May 13, 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.

ALTERNATIVE ACTION:

The Council and Board of Directors could not approve the Resolutions in which case the funding of the Projects would be delayed.

ATTACHMENTS AND/OR REFERENCES (IF ANY):

1. City Council 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)