



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: NOVEMBER 7, 2023

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: OFFICIAL STATEMENT AND CONTINUING DISCLOSURE CERTIFICATE FOR THE 2023 REFUNDING ELECTRIC REVENUE BONDS

ISSUES:

Consider the approval of the Official Statement and Continuing Disclosure Certificate for the 2023 Refunding Electric Revenue Bonds

RECOMMENDATIONS:

That the City Council:

1. Adopt the attached Resolution to approve the Official Statement and Continuing Disclosure Certificate; and
2. Delegate to the City Manager, the Chief Financial Officer/Treasurer, the Deputy Chief Financial Officer, the Public Utilities General Manager and the Debt and Treasury Manager of the City (or any duly authorized designee of any such officers) the authority to execute other documents as may be necessary to carry out the plan of finance authorized under the Twentieth Supplemental Resolution.

BOARD RECOMMENDATION:

On October 23, 2023, the Riverside Board of Public Utilities will hear this item and provide a recommendation regarding the adoption of the attached resolution. Adoption of the Resolution will approve the Official Statement and the Continuing Disclosure Certificate for the 2023 Refunding Electric Revenue Bonds.

BACKGROUND:

Twentieth Supplemental Resolution

On September 11, 2023, the Twentieth Supplemental Resolution was presented to the Board of Public Utilities and was recommended for City Council approval. On September 19, 2023 the Twentieth Supplemental Resolution was presented and approved by City Council. The Resolution authorizes the issuance of up to \$165 million of Refunding Electric Revenue Bonds to refund all or a portion of the outstanding 2013A Refunding Electric Revenue Bonds, 2008A Variable Rate

Refunding Electric Revenue Bonds, 2008C Variable Rate Refunding Electric Revenue Bonds and 2011A Variable Rate Refunding Electric Revenue Bonds, and to pay all or a portion of the termination costs associated with any of the refunded Variable Rate Bonds.

Continuing Disclosure Requirements and Official Statement

For any public bond sale, the City must approve the Continuing Disclosure Certificate and Official Statement for the bond issuance. Both documents are connected to the public disclosure of information about the City and Utility, for the benefit of investors, and are prepared to ensure the City complies with Securities and Exchange Commission (SEC) Rule 15c2-12. Continuing Disclosure Certificates and Official Statements have been prepared and approved as part of every public bond sale the Utility has completed. The Continuing Disclosure Certificate details the information that the Utility agrees to disclose to investors, including annual operational and financial data. The Official Statement – which prior to closing is referred to as the Preliminary Official Statement – is the public offering document that provides investors with information on the 2023 Refunding Electric Revenue Bonds, as well as operational and financial information about the City and the Utility.

DISCUSSION:

In many cases, the Official Statement and Continuing Disclosure Certificates are part of the Resolution and brought to City Council all together in one meeting. However, at the time of document submission for the City Council meeting of September 19, 2023, there were parts of the Official Statement which were still being worked through. The financing team determined it would be best to bring the Official Statement and Continuing Disclosure Certificate to the Board and City Council as a secondary step in the process for this particular financing transaction. This has allowed the financing team to continue moving forward with the Refunding process without delay, while also providing investors with the most accurate and updated information available.

To market and sell the 2023 Refunding Electric Revenue Bonds, the City needs to publish a Preliminary Official Statement and have ready a Continuing Disclosure Certificate for investors. Staff is requesting City Council adopt the attached Resolution which will approve both documents, so that it can move forward with the bond sale that was approved by the Twentieth Supplemental Resolution. Pricing is expected to occur shortly after the approval of both documents.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 5 – High Performing Government** and **Goal 5.4 – Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.**

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – All information in the Official Statement is provided publicly and provides transparency to investors, ratepayers, and the general public.
2. **Equity** –Using bonded indebtedness to fund long-term capital projects ensures generational equity. The repayment of bonds is spread across several years to align with the generation of ratepayers that receive the actual benefits of the project.
3. **Fiscal Responsibility** – The refunding approved by the Twentieth Supplemental Resolution and detailed in the Official Statement will be completed to allow the City and Utility to achieve debt service savings and simplify its debt portfolio.

4. **Innovation** – The refunding approved by the Twentieth Supplemental Resolution and detailed in the Official Statement is an innovative strategy which allows the City to take advantage of market conditions and simplify the debt portfolio with the outstanding variable rate debt.
5. **Sustainability & Resiliency** – Sound analysis and consideration of all funding options are the key to Riverside’s resilient and sustainable debt portfolio.

FISCAL IMPACT:

The following description of fiscal impact was provided in the Council Report for the Twentieth Supplemental Resolution:

The fiscal impact related to the costs associated with this refunding is expected to be approximately \$789,175 (exclusive of any swap termination payment). In the current market, the swap termination payment is expected to be \$3,501,018 which would only be paid if absorbed by the net economic benefit of the VRDB fixed rate refunding. All fees will be paid from the proceeds of the 2023 Refunding.

The plan for the fixed rate refinancing of the 2008A, 2008C and 2011A VRDBs and swaps is to remain cost neutral to the Utility, based on the expected net economics, but reduce risk factors associated with VRDBs and interest rate swaps by refinancing with fixed rate debt.

The estimated present value savings from refunding of the 2013A Bonds is expected to be approximately \$4.9 million (\$6.4 million gross savings) based on market conditions in early August 2023, which will equate to an annual cash flow savings of approximately \$320,000 per year through 2043. The two refunding together are expected to achieve approximately \$320,000 in annual cash flow savings.

Prepared by: Karen Hessel, Principal Management Analyst
Certified as to availability of funds: Kristie Thomas, Finance Director / Assistant Chief Financial Officer
Approved by: Edward Enriquez, Assistant City Manager / Chief Financial Officer / City Treasurer
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Resolution approving the OS and CDC
2. Official Statement
3. Continuing Disclosure Certificate