



Taxable Pension Obligation Refunding Bonds 2017 Series A

Finance Department

City Council
April 25, 2017

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BACKGROUND

1. The City currently has \$101 million of Pension Obligation Bonds outstanding with limited restructuring/refinancing opportunities available
2. Bonds were issued pursuant to a judicial Validation Judgment dated May 3, 2004 that all the POBs will be valid, legal and binding obligations of the City
3. City issued \$89,540,000 of fixed rate POB's in 2004, \$30 million of 2005 Series B Auction Rate Securities (variable rate) and \$30 million in fixed rate 2005 Series A POBs
4. The 2005 Series B bonds were structured as interest only payments for 15 years with "balloon" principal payments from 2020 through 2025 which would then retire the debt



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BACKGROUND ON 2016 BAN

1. In February 2008, the auction rate market failed which caused our interest rates to increase to between 12%-15%
2. Beginning in May 2008, the City issued one year interest only Bond Anticipation Notes (BANs) to “refinance” the 2005 Series B auction rate securities as “interest only” payments
3. As of today, no principal payments have been made for these bonds. Current balance is approx. \$31.2M
4. The 2016 BAN matures on June 1, 2017 and must be either paid off or refinanced.



CURRENT POB DEBT SUMMARY

	2004 Series A-1	2005 Series A	2016 BAN
Issuer / Series	California Statewide Communities Development Authority Pooled Taxable Pension Obligation Bonds	City of Riverside Taxable Pension Obligation Bonds	City of Riverside Taxable Pension Obligation Refunding Bond Anticipation Notes
Principal Outstanding	\$56,600,000	\$13,255,000	\$31,145,000
Final Maturity Date	June 1, 2023	June 1, 2020	June 1, 2017
Interest Rates	Fixed Rate [5.896% to 6.076%]	Fixed Rate [4.780%]	Fixed Rate [0.980%]
Call Feature	Economically Non-Callable	Non-Callable to Maturity	Non-Callable to Maturity



PLAN TO REFINANCE 2016 BANS

1. The City plans to issue a maximum aggregate bond of \$34.5 million of taxable pension obligation refunding bonds to refinance the 2016 BAN at a maximum average interest rate of 5.5%.
2. The Series 2017 Series A Bonds (“Bonds”) will be technically “secured” by the City’s General Fund but will actually be paid from Measure Z funds.
3. The Bonds will have a ten year term (10.3 years) with fixed interest rates.
4. The Bonds are scheduled to close on May 25, 2017.



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PLAN OF FINANCE – OPTIONS

The City may choose to refinance the 2016 BAN according to the following options:

- **Option 1 – Level Payment Plan**
- **Option 2 – Variable Payment Plan:** Interest only in 2017-2018, 2018-2019 and 2020-2021 with payments to match expected availability of Measure Z funds. This option will cost the City more in interest due to the annual debt payment amount variation.

	OPTION 1 LEVEL PAYMENT PLAN	OPTION 2 VARIABLE PAYMENT PLAN
Bond Yield*	4.28%	4.39%
Term	2018-2027	2018-2027
Bond Principal	\$31,465,000	\$31,460,000
Total Interest	<u>\$7,895,557</u>	<u>\$9,798,984</u>
Total Payments*, **	\$39,360,557	\$41,258,984
PAYMENT SCHEDULE*		
2018	\$3,938,124	\$1,385,778
2019	3,935,510	1,363,061
2020	3,934,708	4,498,061
2021	3,936,511	1,242,990
2022	3,938,503	6,497,990
2023	3,935,308	5,251,755
2024	3,935,021	5,252,902
2025	3,937,841	5,256,439
2026	3,935,696	5,253,358
2027	3,933,336	5,256,653
Total	\$39,360,557	\$41,258,984

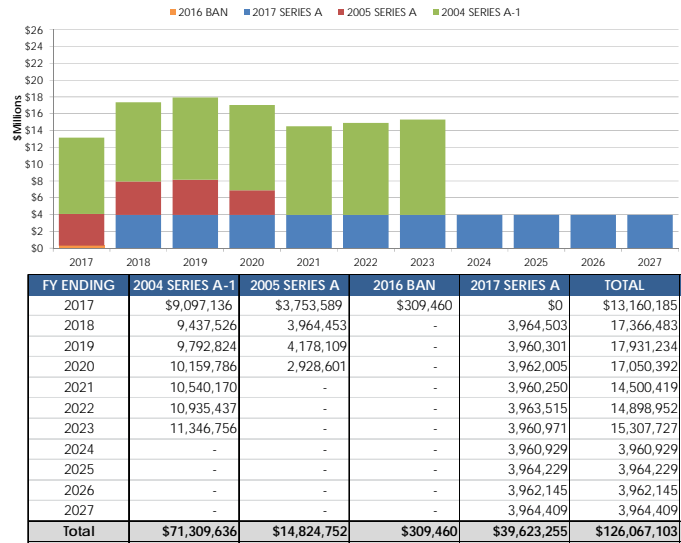
*Preliminary, subject to change.

** Include bond principal and estimated interest payments.



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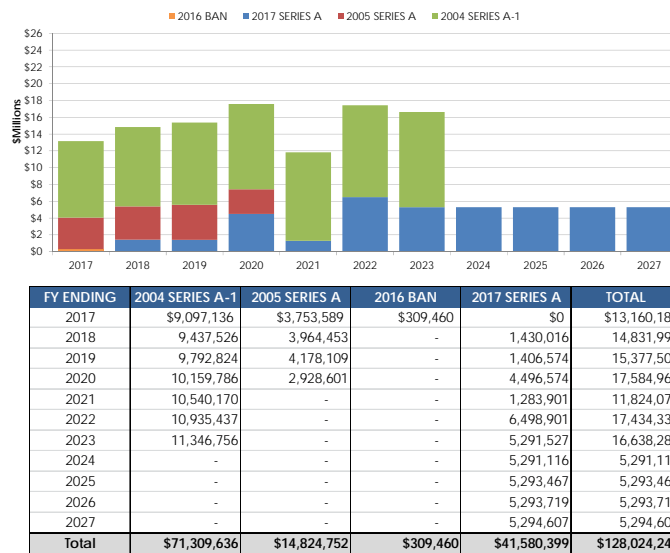
OPTION 1 – LEVEL PAYMENT PLAN



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OPTION 2 – VARIABLE PAYMENT PLAN



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RECOMMENDATION

That the City Council:

1. Conduct a public hearing to receive comments regarding the issuance of the Bonds;
2. Adopt the resolution authorizing the execution and delivery of the notes authorizing the issuance of a not to exceed \$34.5 million aggregate principal Taxable Pension Obligation Refunding Bonds with an average interest rate not to exceed 5.5%;
3. Give staff direction on which Refinancing Option they prefer; and,
4. Approve the financing team.



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QUESTIONS?



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