



2022A WATER REVENUE BONDS AND INTEREST RATE MODE CONVERSION AND REMARKETING OF 2011A WATER BONDS

Finance Department

City Council
November 8, 2022

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BACKGROUND

The RPU financing team developed a comprehensive financing plan for the Water utility designed to achieve the following objectives:

1. Address the 2011A SIFMA Indexed variable rate bonds scheduled purchase date of January 18, 2023.
 - a. Remarket the bonds as IRNs again
 - b. Convert the IRNs to Variable Rate Demand Obligations (VRDOs)
2. Issue new money bonds to finance a portion of the Capital Improvement Plan with debt proceeds.

This plan of financing is consistent with the goals and objectives of the Five-Year Rate plan approved by City Council on May 22, 2018, and the City's Strategic Plan.



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CORE COMPONENTS OF THE FINANCING PLAN

2011A Remarketing and Interest Rate Period Conversion	2022A Water Revenue Bonds
1. Convert from IRNs to VRDOs - not a new issuance	1. Issue up to \$70M in Water Revenue Bonds
2. Remarketed on or before January 18, 2023 – RBC Capital Markets, LLC	2. Fund \$63M Water CIP projects
3. Remarketed in daily mode thereafter - RBC Capital Markets, LLC.	3. Final maturity not to exceed 30 years
4. New Letter of Credit provided by PNC Bank, N.A.	4. Substantially level annual debt service

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2011A Remarketing and Interest Rate Period Conversion

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2011A REMARKETING

1. First issued May 2011 - \$59,000,000
2. Partially refunded in 2019 outstanding balance \$24,050,000
3. Long term obligation maturing October 2035
4. Hedged by an interest rate swap agreement
 - a. City receives 62.68% of LIBOR plus 12bp
 - b. We pay 3.2% to counterparty - "synthetic fix"
 - c. Effective hedge, higher cost to terminate now



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2011A REMARKETING

5. SIFMA Indexed Variable rate bonds
6. Current 3-year index rate period last set in January 2020
 - a. SIFMA plus a spread of .13%
 - b. SIFMA index and potential investor appetite have moved away since last remarketing
7. Remarket as VRDBs – no future repurchase date
8. Remarketed daily at a low variable rate
9. Requires LOC – Provided through PNC Bank for a period of three years
 - a. LOC Expires November 2025



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2022A Water Revenue Bonds



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2022A NEW MONEY

1. Finance \$63 million of new money projects
2. Fixed-rate bonds, structured to provide level debt service over a term of 30 years
3. Level debt service provides budget and rate certainty
 - a. Equitable financing of projects among current and future ratepayers
4. Approval of Resolution approves Preliminary Official Statement for the 2022A Bonds and authorizes staff to deem it final for SEC rule 15c2-12 purposes.



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FINANCING TEAM 2011A BONDS

1. Staff from Public Utilities Department, Finance Department, and City Attorney's Office
2. Bond Counsel: Stradling Yocca Carlson & Rauth
3. Financial Advisor: PFM Financial Advisors, LLC
4. Letter of Credit Provider: PNC Bank, NA
5. Remarketing Agent: RBC Capital Markets, LLC



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FINANCING TEAM 2022A BONDS

1. Staff from Public Utilities Department, Finance Department, and City Attorney's Office
2. Bond Counsel: Stradling Yocca Carlson & Rauth
3. Financial Advisor: PFM Financial Advisors, LLC
4. Senior Managing Underwriter: Morgan Stanley
5. Co Managing Underwriter: Samuel A. Ramirez & Co., Inc.



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STRATEGIC PLAN ALIGNMENT



Strategic Priority No. 5 High Performing Government

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.

Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability &
Resiliency



Equity



Innovation



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RECOMMENDATIONS

That the Board of Public Utilities recommend that the City Council:

1. Approve the City's Financing Team, as described herein, for these transactions and authorize the Chief Financial Officer/Treasurer or any duly authorized designee to pay the costs of such firms in connection with the interest rate reset and tender, purchase and remarketing of the 2011A Bonds from the City's Water Fund and the costs of the firms in connection with the new money issuance of the 2022A Water Revenue Bonds from bond proceeds;
2. Conduct a public hearing to consider the issuance of new money 2022A Water Revenue Bonds in an amount not-to-exceed \$70 million;
3. Adopt a resolution authorizing the issuance of the 2022A Water Revenue Bonds in an aggregate principal amount not to exceed \$70 million;



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RECOMMENDATIONS

4. Adopt a resolution authorizing certain actions related to an unscheduled mandatory tender, interest rate mode conversion and remarketing of the previously authorized and currently outstanding 2011A Bonds including approval of a Reimbursement Agreement and Fee Letter with PNC Bank, National Association and Remarketing Statement for the 2011A Bonds; and

5. Upon closing of the 2022A Water Revenue Bonds, authorize the Chief Financial Officer/Treasurer to make the necessary budget adjustments and/or appropriations to properly record the refunding and financing expenses in accordance with governmental accounting standards.

