



City Council Memorandum

City of Arts & Innovation

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TO: HONORABLE MAYOR AND CITY COUNCIL DATE: DECEMBER 17, 2019

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: RESOLUTION AUTHORIZING CERTAIN ACTIONS RELATED TO AN INTEREST RATE RESET AND REMARKETING OF PREVIOUSLY AUTHORIZED AND ISSUED VARIABLE RATE REFUNDING WATER REVENUE BONDS, ISSUE OF 2011A

ISSUE:

Adopt a resolution authorizing certain actions related to an interest reset and remarketing of the previously authorized and issued variable rate refunding water revenue bonds, issue of 2011A to reflect a new SIFMA Index Interest Rate Period and the financing team associated with the transaction.

RECOMMENDATIONS:

That the City Council:

1. Adopt a resolution authorizing certain actions related to an interest reset and remarketing of the previously authorized and issued variable rate refunding water revenue bonds, issue of 2011A to reflect a new SIFMA Index Interest Rate Period and the financing team associated with the transaction;
2. Approve the Remarketing Statement as to form and authorize the Treasurer and the Public Utilities General Manager, or designee, to execute all documents, notices or instructions related to this transaction; and
3. Affirm the financing team, as identified herein, for this transaction and authorize the 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 Revenue Fund.

BACKGROUND:

On April 26, 2011, the City Council approved the issuance of \$59,000,000 in aggregate principal to refund debt previously issued as Variable Rate Demand Obligations (VRDOs). The 2011 debt was issued as long-term SIFMA Index Bonds with an initial one-year Index Interest Rate Period. The bonds represent a long-term obligation, with short term interest periods which reset periodically. The interest rate is determined weekly over the designated interest rate period. The

2011A Bonds previous Index Interest Rate Period was set in 2017 and expires January 15, 2020, although the bonds can be remarketed prior to that date. The proposed remarketing will reset the interest rate for a three-year period, with an optional call of one and a half years. The proposed transaction does not represent a new debt obligation.

DISCUSSION:

The attached Resolution authorizes the City’s Remarketing Agent to distribute the Remarketing Statement and authorizes staff to deem the Remarketing Statement final for purposes of Rule 15c2-12 of the Securities and Exchange Commission, with such changes as staff concludes appropriate to effect the remarketing.

Remarketing Statement

The City’s financing team compiled the attached Remarketing Statement to be used in connection with the current remarketing of the 2011A Water Refunding Revenue Bonds. The distribution of the Remarketing Statement is subject to federal securities laws including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Remarketing Statement to include all facts that would be material to an investor of the 2011A Water Refunding Revenue Bonds. Material information is that where there is a substantial likelihood the information would have actual significance in the deliberations of a reasonable investor when deciding whether to buy or sell the 2011A Water Refunding Revenue Bonds.

Financing Team

The Financing Team for this transaction consists of City staff from the Finance Department and the Public Utilities Department. Public Financial Advisors, LLC is serving as the Financial Advisor. The firm of Stradling, Yocca, Carlson & Rauth, is acting as bond and disclosure counsel. Stifel, Nicolaus & Company, Incorporated is serving as Remarketing Agent for the 2011A Bonds under a currently effective Remarketing Agreement.

The estimated Financing Team expenses include:

| RPU 2011A Water System FRN Remarketing | | |
|---|-------------|------------------|
| Bond/Disclosure Counsel | Stradling | \$50,000 |
| Financial Advisor | PFM | 30,000 |
| Trustee | US Bank | 750 |
| Remarketing Agent | Stifel | 28,932 |
| Rating Agencies | S&P | 5,000 |
| | Moody’s | 0 |
| | Fitch | 7,000 |
| Remarketing Agent Counsel | Kutak Rock | 12,500 |
| Printer | Imagemaster | 2,500 |
| Total | | \$136,682 |

Interest Rate Hedge Adjustment

In 2005, the City executed an interest rate hedge agreement in which the City receives 62.68% of London Interbank Offering Rate (LIBOR) plus 12 basis points which offsets (or hedges) the variable rate RPU pays to its bondholders in exchange for a favorable fixed interest rate of 3.2%. This swap is performing as intended, as the financing team recommends maintaining the existing hedge agreement.

FISCAL IMPACT:

Costs associated with the proposed transaction are estimated at \$136,682. These expenses were approved by the RPU Board upon issuance of the 2011A Water SIFMA Index Bonds in 2011.

Prepared by: Marie Ricci, Assistant Chief Financial Officer
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer
Approved by: Carlie Myers, Deputy City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Resolution
2. Remarketing Statement