



Legislation Text

File #: ID 17-0334, **Version:** 1

Resolution Making Certain Findings And Determinations, Authorizing The Filing Of An Application With The Local Government Commission, Requesting The Local Government Commission To Sell Bonds At A Private Sale And Approving The Financing Team In Connection With The Issuance of Revenue Bonds By The City

Department: Finance and Legal
Council District: All

Public Hearing:
Advertising Date/By:

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PURPOSE:

To authorize the issuance and sale of up to \$110 million Combined Enterprise System (water and sewer) Revenue Bonds in July 2017 for the following three purposes, (1) to refinance an approximately \$40 million short-term revenue bond anticipation note issued in 2016, that funded water and sewer projects, with long-term bonds; (2) to issue approximately \$30 million in bonds to fund additional water and sewer projects approved by City Council and that are currently under contract; and (3) to refinance \$29.6 million water and sewer revenue bonds issued in 2009 to a lower interest rate. The bonds will be issued subject to City Council authorizing application to the Local Government Commission to issue the bonds and their approval thereof.

BACKGROUND:

In February 2016, the City authorized a not to exceed \$50 million Revenue Bond Anticipation Note (BAN) under an interest-only construction draw program, with the short-term note to be redeemed by March 2018. The City now proposes to sell approximately \$70 million revenue bonds in July 2017 to refinance the approximately \$40 million it has drawn against the authorized note for water and sewer project costs and to fund an additional \$30 million in water and sewer projects that have also been approved by City Council. These revenue bonds are expected to have an average fixed interest cost of approximately 3.5% or less over their 30-year term. (The projects include approximately \$10 million in improvements to Mitchell and Townsend water treatment plants and approximately \$60 million in improvements to the TZO Wastewater Treatment Plant to meet regulations regarding biologic nutrient removal.)

The City also proposes to refinance \$29.6 million water and sewer revenue bonds issued in 2009 to a lower interest rate. The outstanding bonds have an average interest rate of 4.75% and the refinancing is projected to lower the interest rate to approximately 2.25%, resulting in an estimated savings of \$4.9 million (\$393,000 per year over the remaining 14-year term of the bonds). *The bonds issued in 2009 financed green projects that have been deemed to serve an environmental benefit within the Green Bond Principles. This refinancing portion will be designated as "Green Bonds" to allow investors to invest directly in bonds which finance or refinance environmentally-sustainable projects.*

The revenue bonds will be issued pursuant to a supplemental trust agreement with U.S. Bank (bond trustee) and a bond purchase agreement with Merrill Lynch, Pierce, Fenner & Smith, Incorporated (Bank of America) and co-underwriters Loop Capital Markets and Wells Fargo Bank.

In December, the City Council will be asked to authorize additional water and sewer system improvements funded through the issuance of a revenue bond anticipation note of \$75 million, the third note in a series of four BANs for \$215 million in proposed bond capital projects scheduled between 2014 and 2019, including improvements to TZO Wastewater Treatment Plant estimated at \$117 million.

BUDGET IMPACT:

Annual debt service on the approximately \$100 million revenue bonds will be paid from the Water Resources Fund budget. Debt service will increase by \$3.4 million in FY17-18 to \$25.2 million and by an additional \$5.0 million in FY18-19 to \$30.2 million.

RECOMMENDATION / ACTION REQUESTED:

The Finance and Legal Departments recommend approval of the attached resolution authorizing the filing of an application with the Local Government Commission requesting approval of the sale of revenue bonds, not to exceed \$110 million, and approving the financing team in connection with the issuance of revenue bonds by the City.