

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL MEMBERS

FROM: DEBORAH LAUCHNER, CHIEF FINANCIAL OFFICER
FINANCE DEPARTMENT

SUBJECT: WASTEWATER REVENUE REFUNDING BONDS, SERIES 2016A

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Finance Department, the Water Department, and the Board of Public Utilities that the Council, by resolution, approve the forms of the Preliminary Official Statement, Continuing Disclosure Certificate, 19th Supplemental Indenture of Trust, Escrow Deposit and Trust Agreement and Bond Purchase Agreement in connection with the issuance of Wastewater Revenue Refunding Bonds, Series 2016A (the "2016A Bonds") in order to redeem a portion of the City's outstanding wastewater debt for debt service savings.

EXECUTIVE SUMMARY

The proposed resolution would provide for the approval of the documents listed above and attached to this staff report in substantially the form presented, subject to the completion of each document once certain facts are known (e.g. the insertion of interest rates and principal amounts determined at the time of the bond sale). The resolution authorizes the Finance Department to execute and deliver the documents with such changes, insertions and omissions as it deems necessary.

BACKGROUND

The City's wastewater system has over \$250 million in bonds and State loans outstanding. In June 2007, the City issued \$67,010,000 of Wastewater Revenue Bonds, Series 2007A ("2007A Bonds") to fund wastewater projects and refund the 1996A, 1998B, 2001B and 2004B Wastewater Revenue Bonds. In July 2008, the City issued \$48,630,000 of Wastewater Revenue Bonds, Series 2008A ("2008A Bonds") to fund wastewater projects. In March 2000, the City entered into a revolving loan contract with the State Water Resources Control Board (the "State Loans"), which has subsequently been amended several times to increase the revolving loan amount. There are currently

over \$55 million in outstanding scheduled principal repayments associated with this loan contract.

PRIOR CITY COUNCIL REVIEW

Not applicable.

ANALYSIS

The City intends to issue the 2016A Bonds to refund all or a portion of the 2007A Bonds, 2008A Bonds and State Loans. The underwriter's compensation on the 2016A Bonds is capped at 0.25% of the par amount of bonds sold, or \$312,500 at the maximum par amount of \$125,000,000. Other transaction costs are estimated at \$300,000 and will be paid from the proceeds of the bonds. The Net Present Value savings generated by the refunding will be at least 3% of the principal amount of the obligations to be refunded. The estimated annual cashflow savings (based on current market conditions, which may change between now and the time that the 2016A Bonds are issued) varies by year between an estimated \$60,000 and \$1.02 million for a projected total of \$12.18 million. At this time, it is anticipated that all of the outstanding 2008A Bonds and State Loans will be refunded. It is anticipated that only a portion of the 2007A Bonds will be refunded due to restrictions on advance refundings.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by City staff and its financing team. The Preliminary Official Statement must include all facts that would be material to an investor in the 2016A Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the 2016A Bonds. Members of the City Council may review the Preliminary Official Statement and/or question staff and consultants to make sure they feel comfortable that it includes all material facts. The key provisions of the Preliminary Official Statement include:

- The terms of the 2016A Bonds are summarized on the cover/inside cover and the section entitled "THE SERIES 2016A BONDS."
- The security for the 2016A Bonds is described in the section entitled "SECURITY FOR THE SERIES 2016A BONDS." The 2016A Bonds are secured by a pledge of and payable from net revenues of the City's wastewater system.
- The City's wastewater system is described in the section entitled "THE ENTERPRISE."
- The key risk factors posed to owners of the 2016A Bonds are summarized in the section entitled "RISK FACTORS."

FISCAL IMPACT

The refunding would create debt service savings, freeing up net revenues of the wastewater system to be used for rate relief, ongoing operations and/or other capital projects.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Preliminary Official Statement (including Continuing Disclosure Certificate as an exhibit)
- Attachment 2 – 19th Supplemental Indenture of Trust
- Attachment 3 – Escrow Deposit and Trust Agreement
- Attachment 4 – Bond Purchase Agreement
- Resolution

CONTACT

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