

Agenda Item #14.5  
For City Council Meeting of: November 27, 2018

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL MEMBERS

FROM: CHUCK MCBRIDE, CHIEF FINANCIAL OFFICER  
FINANCE DEPARTMENT

SUBJECT: WASTEWATER REVENUE REFUNDING BONDS, SERIES 2018A  
AND WATER REVENUE REFUNDING BONDS, SERIES 2018

AGENDA ACTION: RESOLUTIONS

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RECOMMENDATION

It is recommended by the Finance Department, the Water Department, and the Board of Public Utilities that the Council, by resolution, take the following actions to authorize the issuance of refunding bonds to achieve debt service savings:

Wastewater System: In connection with the issuance of Wastewater Revenue Refunding Bonds, Series 2018A (the "2018 Wastewater Bonds") for the City's wastewater system ("Wastewater System"), approve the forms of the Preliminary Official Statement, Continuing Disclosure Certificate, Twentieth Supplemental Indenture of Trust, Escrow Deposit and Trust Agreement and Bond Purchase Agreement.

Water System: In connection with the issuance of Water Revenue Refunding Bonds, Series 2018 (the "2018 Water Bonds") for the City's water system ("Water System"), approve the forms of the Preliminary Official Statement, Continuing Disclosure Certificate, Indenture of Trust, Irrevocable Refunding Instructions and Bond Purchase Agreement.

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EXECUTIVE SUMMARY

The proposed resolutions would provide for the approval of the 2018 Wastewater Bonds, the 2018 Water Bonds and the documents listed above and attached to this staff report in substantially the form presented, subject to the insertion of principal amounts, interest rates and other pricing information following sale of the bonds. The resolutions authorize the Chief Financial Officer, or the City Manager, Deputy City Manager or Mayor to execute

and deliver the documents with such changes, insertions and omissions as it deems necessary, in some case subject to approval of the City Attorney and Bond Counsel.

### BACKGROUND

*2018 Wastewater Bonds.* The City previously issued multiple series of wastewater revenue bonds pursuant to an Indenture of Trust dated as of February 1, 1988 (the "Master Indenture"), by and between the City and U.S. Bank National Association (the "Trustee"), as successor trustee, and multiple supplements to the Master Indenture, including the following two series of bonds:

- (i) \$67,010,000 initial principal amount City of Santa Rosa Wastewater Revenue Bonds, Series 2007A, which were issued pursuant to a Fifteenth Supplemental Indenture, dated as of June 1, 2007 (the "Series 2007A Bonds"). The City issued the 2007A Bonds to finance and refinance improvements to the Wastewater System, including, among others, recycled water system improvements, subregional system improvements, improvements to the Laguna Facility and related capital upgrades, and construction and development of the Geysers Recharge Project. The 2007A Bonds are currently outstanding in the principal amount of \$17,685,000.
- (ii) \$95,805,000 initial principal amount City of Santa Rosa Wastewater Revenue Refunding Bonds, Series 2016A (the "Series 2016A Bonds"), which were issued pursuant to a Nineteenth Supplemental Indenture, dated as of August 1, 2016; the proceeds of the Series 2016A Bonds were used, in part, to refund the portion of the Series 2007A Bonds that could be refunded with tax-exempt bonds on an advance basis.

*2018 Water Bonds.* The City previously issued its City of Santa Rosa Water Revenue Bonds, Series 2008, in the initial principal amount of \$13,850,000 (the "2008 Bonds") for the purpose of financing Water System improvements, including a portion of the construction of an operations building at the West College Facility. The 2008 Bonds are the only outstanding bonds payable from revenues of the Water System. The 2008 Bonds are currently outstanding in the principal amount of \$11,035,000.

### PRIOR CITY COUNCIL REVIEW

Not applicable.

### ANALYSIS

*2018 Wastewater Bonds.* Staff has determined that the City can generate debt service

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REVENUE REFUNDING BONDS, SERIES 2018  
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savings by issuing the 2018 Wastewater Bonds to refund all or a portion of the Series 2007A Bonds. The underwriter's compensation on the 2018 Wastewater Bonds is capped at 0.6% of the par amount of the 2018 Wastewater Bonds. Transaction costs are estimated at \$326,570, including underwriter's compensation, and will be paid from the proceeds of the 2018 Wastewater Bonds.

The Net Present Value savings generated by the refunding will be at least 3% of the outstanding principal amount of the Series 2007A Bonds. The estimated annual cashflow savings (based on current market conditions, which may change between now and the time that the 2018 Wastewater Bonds are issued) are \$54,000. At this time, it is anticipated that all of the outstanding Series 2007A Bonds will be refunded.

The 2018 Wastewater Bonds are payable from net revenues of the Wastewater System. 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 2018 Wastewater Bonds. Material information is information that there is a substantial likelihood it would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the 2018 Wastewater 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 2018 Wastewater Bonds are summarized on the cover/inside cover and the section entitled "THE SERIES 2018 BONDS."
- The security for the 2018 Wastewater Bonds is described in the section entitled "SECURITY FOR THE SERIES 2018 BONDS." The 2018 Wastewater Bonds are secured by a pledge of and payable from net revenues of the Wastewater System.
- The Wastewater System is described in the section entitled "THE ENTERPRISE."
- The key risk factors posed to owners of the 2018 Wastewater Bonds are summarized in the section entitled "RISK FACTORS."

*2018 Water Bonds.* Staff has determined that the City can generate debt service savings by issuing the 2018 Water Bonds to refund all or a portion of the 2008 Bonds. The underwriter's compensation on the 2018 Water Bonds is capped at 0.5% of the par amount of the 2018 Water Bonds. Transaction costs are estimated at \$245,920, including underwriter's compensation, and will be paid from the proceeds of the 2018 Water Bonds.

The Net Present Value savings generated by the refunding will be at least 3% of the outstanding principal amount of the 2008 Bonds. The estimated annual cashflow savings (based on current market conditions, which may change between now and the time that the 2018 Water Bonds are issued) are \$132,000. At this time, it is anticipated that all of

the outstanding 2008 Bonds will be refunded.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by City staff and its financing team. The key provisions of the Preliminary Official Statement include:

- The terms of the 2018 Water Bonds are summarized on the cover/inside cover and the section entitled “THE 2018 BONDS.”
- The security for the 2018 Water Bonds is described in the section entitled “SECURITY FOR THE 2018 BONDS.” The 2018 Water Bonds are secured by a pledge of and payable from net revenues of the Water System.
- The Water System is described in the section entitled “THE WATER SYSTEM.”
- The key risk factors posed to owners of the 2018 Water Bonds are summarized in the section entitled “RISK FACTORS.”

#### FISCAL IMPACT

The refunding would create debt service savings, freeing up net revenues of applicable water 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 that 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

##### Wastewater System

- Attachment 1 – Preliminary Official Statement (including Continuing Disclosure Certificate as an exhibit)

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- Attachment 2 – Twentieth Supplemental Indenture of Trust
- Attachment 3 – Escrow Deposit and Trust Agreement
- Attachment 4 – Bond Purchase Agreement
- Resolution related to the 2018 Wastewater Bonds

Water System

- Attachment 5 – Preliminary Official Statement (including Continuing Disclosure Certificate as an exhibit)
- Attachment 6 – Indenture of Trust
- Attachment 7 – Irrevocable Refunding Instructions
- Attachment 8 – Bond Purchase Agreement
- Resolution related to the 2018 Water Bonds

CONTACT

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