

CITY OF SANTA ROSA  
BOARD OF PUBLIC UTILITIES

TO: BOARD OF PUBLIC UTILITIES

FROM: BENNETT HORENSTEIN, P.E., DIRECTOR  
SANTA ROSA WATER

SUBJECT: RECOMMENDATION TO THE CITY COUNCIL TO AUTHORIZE  
THE ISSUANCE OF WASTEWATER REVENUE REFUNDING  
BONDS, SERIES 2018A

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Finance Department and the Water Department that the Board of Public Utilities, by resolution, recommend that the Santa Rosa City Council authorize the issuance of Wastewater Revenue Refunding Bonds, Series 2018A (the "2018A Bonds"), and all related actions, in order to redeem certain outstanding wastewater revenue bonds for debt service savings.

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EXECUTIVE SUMMARY

The City previously issued its City of Santa Rosa Wastewater Revenue Bonds, Series 2007A (the "2007A Bonds") for the purpose of financing and refinancing certain improvements to the City's wastewater enterprise (the "Wastewater System"). The City has determined that the remaining outstanding 2007A Bonds can be refunded and generate savings for the benefit of the ratepayers of approximately \$1.09 million over the life of the 2007A Bonds.

BACKGROUND

The City is responsible for the operation and maintenance of the Wastewater System and has issued multiple series of wastewater revenue bonds to provide financing for improvements to the Wastewater System. Most recently, in 2016, the City issued its City of Santa Rosa Wastewater Revenue Refunding Bonds, Series 2016A (the "Series 2016A Bonds"); 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.

The City has a practice of refunding its debt obligations when prevailing interest rates will produce debt service savings, and staff has determined that the City can achieve debt service savings by issuing the 2018A Bonds to refund the remaining outstanding 2007A Bonds.

#### PRIOR BOARD OF PUBLIC UTILITIES REVIEW

The Board of Public Utilities previously approved all of the projects financed and refinanced by the 2007A Bonds.

#### ANALYSIS

The City intends to issue the 2018A Bonds to refund all or a portion of the 2007A Bonds. The underwriter's compensation on the 2018A Bonds is capped at 0.6% of the par amount of 2018A Bonds sold, or \$120,000 at the maximum par amount of \$20 million. Other transaction costs are estimated at \$250,000 and will be paid from the proceeds of the 2018A Bonds.

The Net Present Value savings generated by the refunding will be at least 3% of the outstanding principal amount of the 2007A Bonds. The estimated annual cashflow savings (based on current market conditions, which may change between now and the time that the 2018A Bonds are issued) are \$54,000. At this time, it is anticipated that all of the outstanding 2007A 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 Preliminary Official Statement must include all facts that would be material to an investor in the 2018A 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 2018A 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 2018A Bonds are summarized on the cover/inside cover and the section entitled "THE SERIES 2018 BONDS."
- The security for the 2018A Bonds is described in the section entitled "SECURITY FOR THE SERIES 2018 BONDS." The 2018A 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 2018A 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 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

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

### CONTACT

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