

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 WATER REVENUE REFUNDING BONDS,
SERIES 2018

AGENDA ACTION: RESOLUTION

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 Water Revenue Refunding Bonds, Series 2018 (the "2018 Bonds"), and all related actions, in order to redeem the City's outstanding water revenue bonds for debt service savings.

EXECUTIVE SUMMARY

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 certain improvements to the City's water enterprise (the "Water System"). The City has determined that the 2008 Bonds can be refunded and generate savings for the benefit of the ratepayers of approximately \$2.78 million over the life of the 2008 Bonds.

BACKGROUND

The City is responsible for the operation and maintenance of the Water System. In 2008, the City issued the 2008 Bonds to finance improvements to the Water System, including an operations building as part of the Water and Wastewater Utility Operations and Maintenance Complex (the "West College Facility").

The City has a practice of refunding its debt obligations when prevailing interest rates will produce debt service savings.

PRIOR BOARD OF PUBLIC UTILITIES REVIEW

The Board of Public Utilities previously approved all projects funded by the 2008 Bonds.

ANALYSIS

The City intends to issue the 2018 Bonds to refund all or a portion of the 2008 Bonds. The underwriter's compensation on the 2018 Bonds is capped at 0.5% of the par amount of 2018 Bonds sold, or \$60,000 at the maximum par amount of \$12 million. Other transaction costs are estimated at \$200,000 and will be paid from the proceeds of the 2018 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 Bonds are issued) is \$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 Preliminary Official Statement must include all facts that would be material to an investor in the 2018 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 2018 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 Bonds are summarized on the cover/inside cover and the section entitled "THE 2018 BONDS."
- The security for the 2018 Bonds is described in the section entitled "SECURITY FOR THE 2018 BONDS." The 2018 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 Bonds are summarized in the section entitled "RISK FACTORS."

FISCAL IMPACT

The refunding would create debt service savings, freeing up net revenues of the 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

- Attachment 1 – Preliminary Official Statement (including Continuing Disclosure Certificate as an exhibit)
- Attachment 2 – Indenture of Trust
- Attachment 3 – Irrevocable Refunding Instructions
- Attachment 4 – Bond Purchase Agreement
- Resolution

CONTACT

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