

City of Brisbane

Agenda Report

To: City Council via City Manager
From: Stuart Schillinger, Administrative Services Director
Subject: Refunding of the 2009A Lease Revenue Bonds
Date: May 18, 2017

Purpose:

To allow the City to best meet the needs of the community while ensuring the long-term financial viability of the City.

Recommendation:

Direct staff to work with the City's Financial Advisor (Marty Johnson) to refinance the 2009A Lease Revenue bonds in order to reduce the annual payment without extending the maturity of the bonds.

Background:

July 8, 2002 – Council directed staff to develop a Request for Proposal (RFP) for design
December 9, 2002 – Council approved the design with Del Campo and Maru
January 21, 2003 – Public Workshop on City Hall remodel improvements
April 14, 2003 – Council approved the final design
April 18, 2005 – Council accepted 75% Plans and approved relocating staff during construction
September 18, 2005 – Council approves selling bonds to fund a portion of the project
August 21, 2006 – Council approved the replacement architect
May 29, 2007 – Council reviewed 90% plans and specifications and the cost estimate (\$7,915,737)
June 18, 2007 – Council approved the notice inviting bids
September 17, 2007 – Council approved award of construction contract to Svala Construction Inc.
September 17, 2007 – Council reviewed financing options and approved a reimbursement resolution
January 13, 2008 – Staff presents five-year financial forecast with recommendation of bonding for costs of the project above the amount allocated from the Facility Fund.
November 17, 2008 – Staff presented 4 City Hall financing alternatives. Council provided direction related to funding operational expenses from current resources and bond for remainder.
December 15, 2008 – Council chose the alternative which used \$470,000 in current reserves and \$1,880,000 in bonds to finance the remainder of the City Hall project.
January 5, 2009 – Council approved Resolution 2009-01 and FA 2009-01 which authorized the issue of Lease Revenue Bonds for the purpose of remodeling City Hall.

Interest rates are at the level which would allow the City to realize savings if these bonds were refunded.

Discussion:

Marty Johnson, the City's Financial Advisor for debt issuance, recently informed staff that refunding the 2009A Lease Revenue Bonds could generate annual savings of approximately \$27,000. The time remaining on the bonds is 12 years. The last of the bonds will be paid off in 2029. This will generate a net savings of about \$134,000 since the last year of the existing bond would be paid off from the reserve fund. This savings takes into account the additional \$72,000 in anticipated issuance costs. The reason for the savings is the anticipated bond rate is between 2.75% and 3.00%. The existing bonds are between 4.50% and 6.00%.

If Council directs to develop the necessary documents for this refunding all the documents and a new anticipated savings chart will be brought to City Council at their July 20th meeting for approval. If interest rates move higher between now and July 20th the City will not need to refinance the bonds and the outlay will be minimal.

If the savings is realized staff would recommend using all or a portion of the savings for capital projects since this was funding dedicated towards capital projects. Staff will be bring forward a Capital Projects Improvement Plan in the Fall.

Fiscal Impact:

Reduce the payment for the City Hall completion bonds by approximately \$27,000 a year.

Measure of Success


Savings of at least \$22,000 a year is realized by refunding the 2009A Lease Revenue Bonds

Attachments:

Projected Savings from Refunding the 2009A Lease Revenue Bonds



Stuart Schillinger
Administrative Services Director



Clay Holstine
City Manager

City of Brisbane/BGV MID PFA
Lease Revenue Refunding Bonds, Series 2017 (2009 Bonds)
Issue Summary

Sources of Funds:

Par Amount	\$1,623,000.00
Original Issue Premium	0.00
Reserve Fund	190,000.00
Cash Contribution	<u>0.00</u>
Total Sources of Funds	\$1,813,000.00

Uses of Funds:

Initial Escrow Deposit	1.00
Unrestricted Escrow Cost	0.00
Restricted Escrow Cost	1,740,316.00
Net Underwriting	0.00
Insurance	0.00
Issuance Costs	72,000.00
Rounding	<u>683.00</u>
Total Uses of Funds	1,813,000.00

True-Interest-Cost	3.00044%
Bond Yield	3.00044%
Arbitrage Yield	3.00044%
Escrow Yield	1.26012%

Refunded Par	\$1,600,000
Average Annual Savings	\$27,042
Total Savings	\$134,501
Present Value Savings	\$83,868
% of Refunding Par	5.167%
% of Refunded Par	5.242%

Weighted Average Maturity	6.436
Refunded Average Maturity	6.779
Negative Arbitrage	\$45,333

City of Brisbane/BGV MID PFA
Lease Revenue Refunding Bonds, Series 2017 (2009 Bonds)
Debt Service Schedule - Refunding Component

Date	Principal	Rate	Interest	Semi-Annual Debt Service	Annual Debt Service	Refunded Debt Service	Annual Savings
08/01/2017							
10/01/2017			8,115.00	\$8,115.00			
04/01/2018	129,000	3.000%	24,345.00	153,345.00	\$161,460.00	189,343.75	27,883.75
10/01/2018			22,410.00	22,410.00			
04/01/2019	118,000	3.000%	22,410.00	140,410.00	162,820.00	189,843.75	27,023.75
10/01/2019			20,640.00	20,640.00			
04/01/2020	122,000	3.000%	20,640.00	142,640.00	163,280.00	189,856.25	26,576.25
10/01/2020			18,810.00	18,810.00			
04/01/2021	125,000	3.000%	18,810.00	143,810.00	162,620.00	189,356.25	26,736.25
10/01/2021			16,935.00	16,935.00			
04/01/2022	128,000	3.000%	16,935.00	144,935.00	161,870.00	188,318.75	26,448.75
10/01/2022			15,015.00	15,015.00			
04/01/2023	130,000	3.000%	15,015.00	145,015.00	160,030.00	186,868.75	26,838.75
10/01/2023			13,065.00	13,065.00			
04/01/2024	137,000	3.000%	13,065.00	150,065.00	163,130.00	189,993.75	26,863.75
10/01/2024			11,010.00	11,010.00			
04/01/2025	138,000	3.000%	11,010.00	149,010.00	160,020.00	187,400.00	27,380.00
10/01/2025			8,940.00	8,940.00			
04/01/2026	144,000	3.000%	8,940.00	152,940.00	161,880.00	189,000.00	27,120.00
10/01/2026			6,780.00	6,780.00			
04/01/2027	149,000	3.000%	6,780.00	155,780.00	162,560.00	190,000.00	27,440.00
10/01/2027			4,545.00	4,545.00			
04/01/2028	149,000	3.000%	4,545.00	153,545.00	158,090.00	185,400.00	27,310.00
10/01/2028			2,310.00	2,310.00			
04/01/2029	154,000	3.000%	2,310.00	156,310.00	158,620.00	185,500.00	26,880.00
	\$1,623,000		\$313,380.00	\$1,936,380.00	\$1,936,380.00	\$2,260,881.25	\$324,501.25
						Less: Reserve	(190,000.00)
						Net Savings	\$134,501.25

City of Brisbane/BGV MID PFA
Lease Revenue Refunding Bonds, Series 2017 (2009 Bonds)
Pricing Schedule

Call Date: 04/01/2022

Call Price: 100

Date	Principal	Coupon	Yield	Price	Prem/(Disc)	Production
08/01/2017						
04/01/2018	129,000.00	3.000%	3.000%	100.000	\$0.00	\$129,000.00
04/01/2019	118,000.00	3.000%	3.000%	100.000	0.00	118,000.00
04/01/2020	122,000.00	3.000%	3.000%	100.000	0.00	122,000.00
04/01/2021	125,000.00	3.000%	3.000%	100.000	0.00	125,000.00
04/01/2022	128,000.00	3.000%	3.000%	100.000	0.00	128,000.00
04/01/2023	130,000.00	3.000%	3.000%	100.000	0.00	130,000.00
04/01/2024	137,000.00	3.000%	3.000%	100.000	0.00	137,000.00
04/01/2025	138,000.00	3.000%	3.000%	100.000	0.00	138,000.00
04/01/2026	144,000.00	3.000%	3.000%	100.000	0.00	144,000.00
04/01/2027	149,000.00	3.000%	3.000%	100.000	0.00	149,000.00
04/01/2028	149,000.00	3.000%	3.000%	100.000	0.00	149,000.00
04/01/2029	154,000.00	3.000%	3.000%	100.000	0.00	154,000.00
	\$1,623,000.00	Par Amount			\$0.00	\$1,623,000.00
	<u>0.00</u>	+ Premium Bid				
	1,623,000.00	= Amount Bid				
	<u>0.00</u>	+ Underwriter's Spread				
	\$1,623,000.00	= Price to Public				

* Priced to the first optional redemption date of April 1, 2022.