

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: July 20, 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:

City Council, Brisbane/GVMID Financing Authority, and Brisbane Public Financing Authority approve Resolution Numbers 2017-37, 2017-38, 2017-39 Brisbane/GVMID Financing Authority Resolution Nos. 2017-01, 2017-02, and Brisbane Public Financing Authority 2017-01, 2017-02 which refinances the 2009A Lease Revenue Bonds, releases the Fire Station as an asset from the 2005 Lease Revenue Bond and the 2014 Refunding of the 2005B Lease Revenue Bonds and pledges it to the 2017 Refunding.

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.

May 17, 2017 – City Council directed staff to begin the process of refinancing the 2009A Lease Revenue Bonds.

Discussion:

In May staff brought forward the idea of refinancing the 2009A Lease Revenue bonds to reduce our annual bond payments. The refinancing was not going to increase the repayment schedule and the savings would only be from the difference in the current interest rate versus the interest rate on the existing bonds. The existing bonds had an interest rate between 4.50% and 6.00% (average of 5.60%). In May it was anticipated that the interest rate would be between 2.75% and 3.00% which would save the City about \$134,000 over the remaining 12 years.

The winning proposal was from Chase Bank with an interest rate of 2.21%. The annual savings will be about \$33,000 a year except for the last year when the payment would have been from the reserve fund which we are also eliminating as part of the refunding. Therefore we will have a net savings of \$210,000 over the remaining 12 years of the bond's life. The lower interest rate saves the City an additional \$76,000 from what was anticipated in May.

As an additional step for the refunding, the City will be using the City's Fire Station as the collateral for the issue. The Fire Station was included in two previous bond issues; the 2005 Lease Revenue bond and the 2014 Refunding of the 2005B Lease Revenue Bond. As these bonds have had payments made against them we no longer need the Fire Station as collateral on these issues and can fully commit it to the current refunding. In order to do this we need to amend both the 2005 documents and the 2014 documents. These changes and the required resolutions implementing the changes are included in this staff report.

Staff recommends using all or a portion of the savings for capital projects since this was funding dedicated towards capital projects. Staff will be bringing forward a Capital Projects Improvement Plan in the Fall.

Fiscal Impact:

Reduce the payment for the City Hall completion bonds by approximately \$33,000 a year.

Measure of Success

The Measure of Success from the May 17, 2017 staff report was "Savings of at least \$22,000 a year is realized by refunding the 2009A Lease Revenue Bonds". We have exceeded this by about \$11,000 a year.

Attachments:

Projected Savings from Refunding the 2009A Lease Revenue Bonds

2017 Financing

Resolution No. 2017-37

Brisbane/GVMID Financing Authority Resolution No. B/GVMIDFA 2017-01

Brisbane Public Financing Authority Resolution No. BPF 2017-01

Letter Agreement for Purchase and Rate Lock

Site and Facility Lease

Lease Agreement

Memorandum of Lease Agreement

Assignment Agreement

Escrow Agreement

Cost of Issuance Custodian Agreement

Termination Agreement

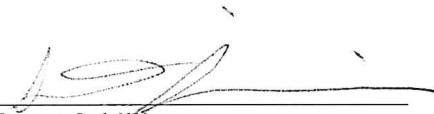
For of Final Opinion of Special Counsel

Amendments to 2005 Documents

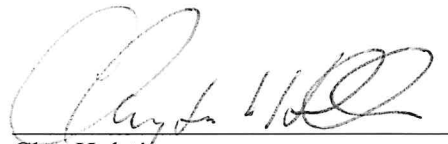
Resolution No. 2017-38
BPFA Resolution No. 2017-02
First Amendment to 2005 Site and Facility Lease
First Amendment to 2005 Lease Agreement
First Amendment to 2005 Memorandum of Assignment

Amendments to 2014 Documents

Resolution No. 2017-39
B/GVMIDFA Resolution No. 2017-02
First Amendment to 2014 Site and Facility lease
First Amendment to 2014 Lease Agreement
First Amendment to 2014 Memorandum of Assignment



Stuart Schillinger
Administrative Services Director



Clay Holstine
City Manager