

Sale and Issuance Series 2019A-D General Obligation Bonds

City Council Meeting

June 25, 2019

Item: 3.8

Presenters:

Julia Cooper, Director of Finance

Lisa Taitano, Assistant Director of Finance

Joe Gray, Debt Administrator

City Council Actions

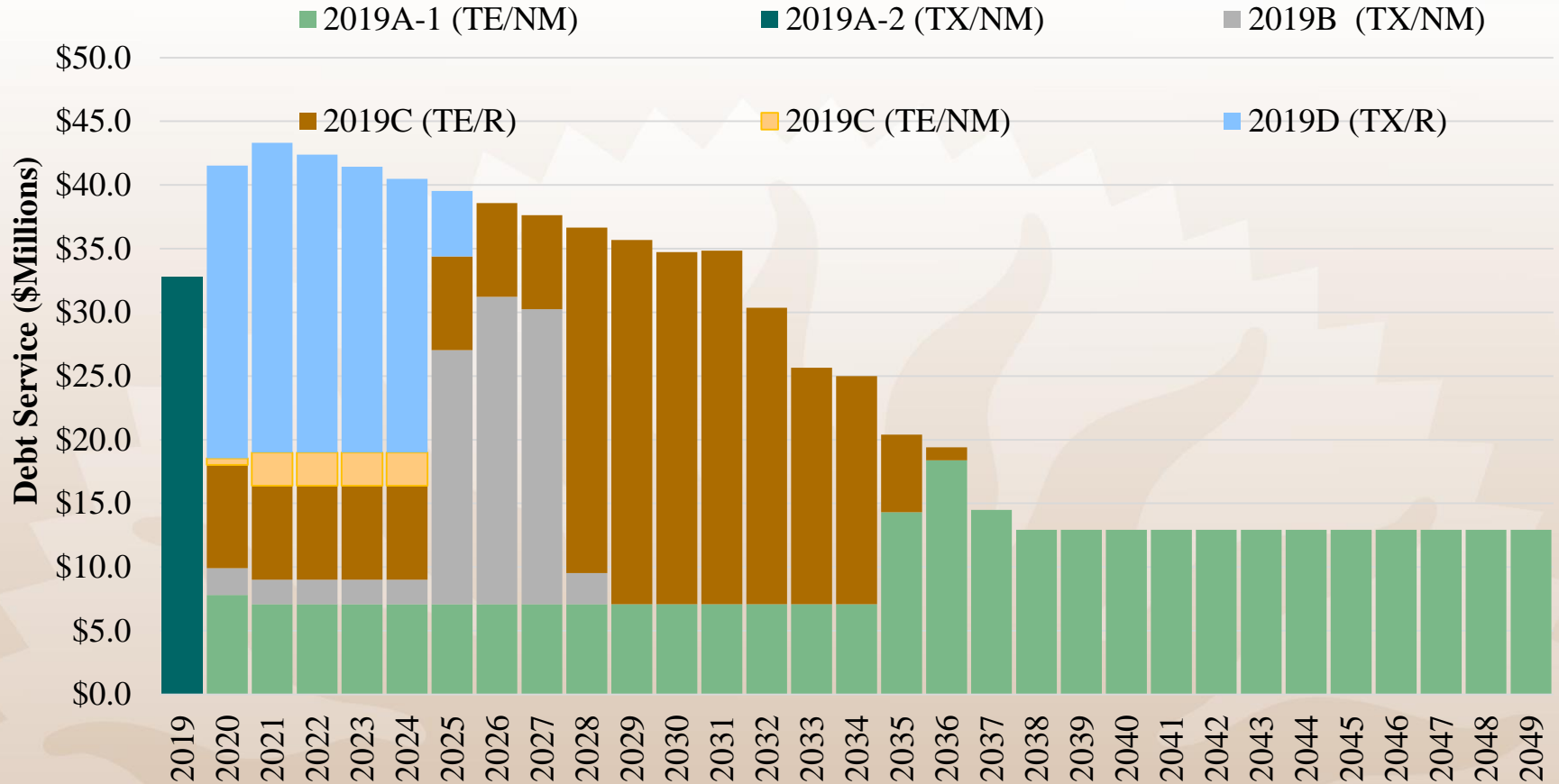
- Adopt a resolution:
 - authorizing the City to issue its five series of general obligation bonds
 - Series 2019A-1 (Disaster Preparedness, Public Safety, and Infrastructure);
 - Series 2019A-2 (Disaster Preparedness, Public Safety, and Infrastructure);
 - Series 2019B (Disaster Preparedness, Public Safety, and Infrastructure);
 - Series 2019C (Refunding, Libraries, Parks, and Public Safety Projects); and
 - Series 2019D (Refunding, Libraries, Parks, and Public Safety Projects).
 - authorizing, and directing the execution of a Fiscal Agent Agreement and certain other related documents and authorizing actions related thereto

Overview of General Obligation Bonds, Series 2019A-D

- Series 2019A-D Bonds will:
 - Fund \$239.9 million (\$650 million authorized) in new money issued under Measure T
 - Fund the remaining \$9.23 million of unissued authorization under Measure O (2000) and Measure O (2002)
 - Refund all of the City's \$323.1 million of outstanding General Obligation Bonds
- Aggregate debt service structure mirrors a structure that assumes a refunding that generates level savings and new money amortized on a 30-year level debt service basis
- Structure was optimized to produce the lowest aggregate cost by:
 - Structuring a short taxable “nose” (Series 2019A-2) to permit the City to use market preferred coupons (i.e., 5%)
 - Generally amortizing taxable bonds (new money and refunding) short and new tax-exempt money long

Overview of General Obligation Bonds, Series 2019A-D (cont.)

Debt Service Projection



Series 2019A and Taxable Series 2019B (New Money – Measure T)

- Funds \$239.9 million in Measure T projects:
 - 2019A-1 T/E projects include bridges, street repair, public safety, and storm sewer
 - 2019B Taxable projects include LED streetlight conversion, environmental protection, City facilities LED lighting, and community centers/emergency shelters
- Series 2019A-2 Taxable Bonds will mature on 9/1/2019 and fund a portion of the Project Fund deposit for Measure T projects, the debt service will be paid by the excess premium generated by the tax-exempt Series 2019A-1 Bonds

| SOURCES | Series 2019A-1 (TE) | Series 2019A-2 (TX) | Series 2019B (TX) | TOTAL |
|---------------------------------------|--------------------------|-------------------------|-------------------------|--------------------------|
| Par Amount | \$ 141,810,000.00 | \$ 32,590,000.00 | \$ 65,500,000.00 | \$ 239,900,000.00 |
| Premium | 33,425,249.80 | 82,126.80 | 695,952.75 | 34,203,329.35 |
| Transfer to 2019A-2 Debt Service Fund | - | 32,753,927.70 | - | 32,753,927.70 |
| Total Sources | \$ 175,235,249.80 | \$ 65,426,054.50 | \$ 66,195,952.75 | \$ 306,857,257.05 |
| USES | Series 2019A-1 (TE) | Series 2019A-2 (TX) | Series 2019B (TX) | TOTAL |
| Project Fund | \$ 141,810,000.00 | \$ 32,590,000.00 | \$ 65,500,000.00 | \$ 239,900,000.00 |
| Debt Service Fund | 1,194.85 | 32,754,579.50 | 412,982.49 | 33,168,756.84 |
| Issuance Costs | 670,127.25 | 81,475.00 | 282,970.26 | 1,034,572.51 |
| Transfer to 2019A-2 Debt Service Fund | 32,753,927.70 | - | - | 32,753,927.70 |
| Total Uses | \$ 175,235,249.80 | \$ 65,426,054.50 | \$ 66,195,952.75 | \$ 306,857,257.05 |

Series 2019C and Taxable Series 2019D (Measure O New Money and Refunding)

- 2019C Bonds will fund the remaining \$9.23 million of prior authorizations and refund \$202.03 million of Refunded GO Bonds
- Taxable 2019D Bonds will refund the remaining \$118.09 million of Refunded GO Bonds and addresses unspent proceeds and flexibility for changes in use
- Refunding NPV savings estimated at approximately \$63.0 million or 19.5% as a percent of refunded par, in excess of the 3% savings threshold

| SOURCES | Series 2019C (TE) | Series 2019D (TX) | TOTAL |
|---|--------------------------|--------------------------|--------------------------|
| Par Amount | \$ 156,635,000.00 | \$ 109,840,000.00 | \$ 266,475,000.00 |
| Premium | 46,099,316.00 | 1,235,298.65 | 47,334,614.65 |
| Prior Debt Service Funds | 17,596,181.92 | 9,877,686.29 | 27,473,868.21 |
| Total Sources | \$ 220,330,497.92 | \$ 120,952,984.94 | \$ 341,283,482.86 |
| USES | Series 2019C (TE) | Series 2019D (TX) | TOTAL |
| Project Fund | \$ 9,230,000.00 | \$ - | \$ 9,230,000.00 |
| Escrow Deposits (Cash plus OMS) | 209,066,250.65 | 120,429,642.20 | 329,495,892.85 |
| Debt Service Fund | 1,190,543.69 | - | 1,190,543.69 |
| Issuance Costs | 756,716.13 | 474,648.86 | 1,231,364.99 |
| Release from Additional Escrow Earnings | 86,987.45 | 48,693.88 | 135,681.33 |
| Total Uses | \$ 220,330,497.92 | \$ 120,952,984.94 | \$ 341,283,482.86 |

Ratings Affirmed

- Moody's Investor Services
 - Affirmed "Aa1", stable outlook
- Standard & Poor's
 - Affirmed "AA+", stable outlook
- Fitch Ratings
 - Affirmed "AA+", stable outlook

These rating are one notch below the highest rating of AAA and is the third highest among the nation's ten largest cities.

Importance of Disclosure - “Speaking To The Market”

- Key points
 - Issuers of municipal securities have an obligation to ensure that information contained in their disclosure documents is accurate and complete in all material respects
 - Proper disclosure allows investors to understand and evaluate the financial health of the local municipality in which they invest.
- Section 17(a) of the Securities Act of 1933 prohibits fraud in the offer or sale of securities, including municipal bonds
- Section 10(b) of the Securities and Exchange Act of 1934 prohibits fraud in the purchase or sale of securities, including municipal bonds
- SEC Rule 10(b)(5) prohibits
 - Making of any untrue statement of material fact
 - Omitting to state a material fact in the offer or sale of securities

Review of Official Statement - Content

- Introduction section in the Official Statement describes purpose of the Bonds and source of repayment
- More detailed information and discussions on risks related to repayment of the Bonds included in sections:
 - Security for the Bonds
- Appendix A - describes the City's current financial position including fiscal pressures. It also provides economic and demographic information useful to investors.
- Appendix B - provides detailed information of the two retirement plans.
- Appendix E – Continuing Disclosure Certificate for 2019 Bonds
- Elected officials not expected to be “fact checkers”

Review of Official Statement - Elected Official's Responsibility

- Review the primary disclosure document for information on key topics:
 - Purpose of the bond issue
 - Sources of repayment of the bonds
 - Risks that the sources of repayment may be insufficient to repay the bonds
 - Discussion of any other events or information that could affect the deliberations of a reasonable investor
- After such review of the document the following additional elements should be considered:
 - Have identified material risks and events been brought to the attention of staff, bond counsel and other professionals?
 - Have such risks and events been disclosed, and if not, what is the rationale for the non-disclosure?

Remaining Financing Schedule

- June 26 – Release of POS to potential bidders
- July 9 – Accept underwriter bids from competitive sale
- July 25 – Projected 2019 GO Bond Closing

Recommendation

It is recommended that the City Council approve the Authorizing Resolution (the “Authorizing Resolution”) authorizing the City to issue five series of general obligation bonds and directing the execution of a Fiscal Agent Agreement and certain other related documents, and authorizing actions related thereto.