

Authorization to Issue 2021 General Obligation Bonds

City Council Meeting

June 22, 2021

Item: 3.7

Presenters:

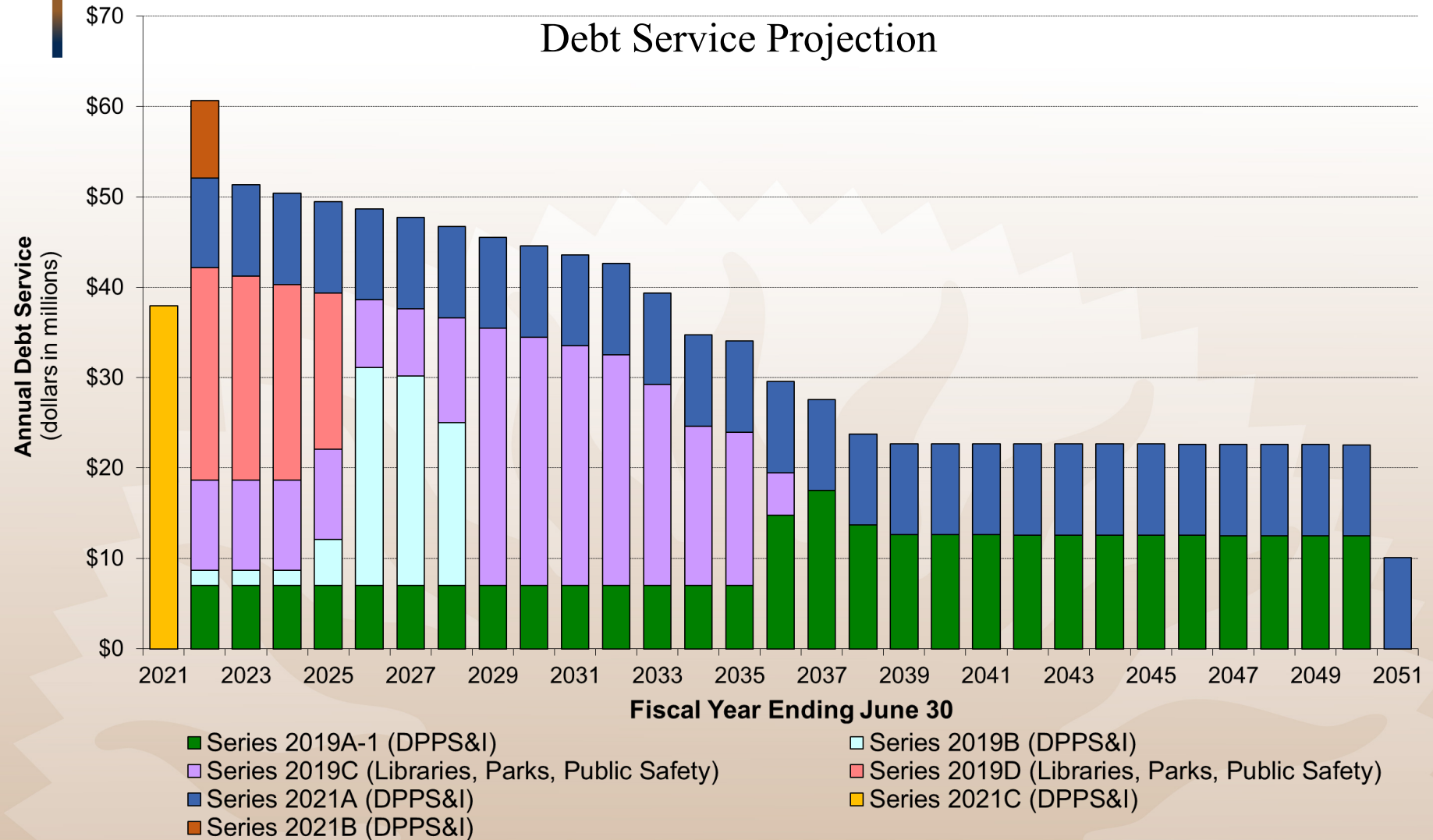
Julia H. Cooper, Director of Finance

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Treasury Management Division

Overview of General Obligation Bonds, Series 2021ABC

- Second issuance under 2018 Measure T authorization for \$650 million in General Obligation Bonds - Fund \$200.5 million in new Measure T projects
 - Tax Exempt projects include bridges, street repair, public safety, and storm sewer
 - Taxable projects include City facilities LED lighting and community centers/emergency shelters
- Bonds will be sold through a competitive bidding process
- Principal on the bonds will be amortized over 30 years with level debt service, with an anticipated final maturity of September 1, 2051
- Structure was optimized to produce the lowest aggregate cost by:
 - Accommodating market preferred coupons (i.e., 5% coupons)
 - Eliminating federal tax and state law issues on the use of market premium
 - Amortizing taxable bonds (higher interest costs) in the shortest maturities and amortizing tax-exempt bonds (lower interest costs) in the longest maturities

Overview of Series 2019 (outstanding) and Series 2021 (proposed)



City's Current General Obligation Ratings

- City presented to the rating agencies on June 16 through June 18 and expects affirmation of the current GO ratings.
- Current ratings, pending affirmation by rating agencies:
 - Moody's Investor Services Aa1 (stable outlook)
 - S&P Global Ratings AA+ (stable outlook)
 - Fitch Ratings AA+ (stable outlook)
- These rating are each one notch below the highest rating of Aaa or AAA and are the third highest ratings among the nation's ten largest cities.

Importance of Disclosure - “Speaking To The Market”

- Key Points to Remember:
 - 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
 - A fact is material if there is a substantial likelihood that its disclosure would be considered significant by a reasonable investor

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
 - Certain Risk Factors
- Appendix A - describes the City's current financial position including fiscal pressures. It also provides economic and demographic information useful to investors.
- Appendix B - detailed information of the two retirement plans.
- Appendix E – Continuing Disclosure Certificate for 2021 Bonds

Elected Official's Responsibility

- Review 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?
- Elected officials not expected to be “fact checkers”

Review of Official Statement -Elected Officials

- If any Councilmember has any personal knowledge that any of the material information in the Official Statement is or may be false or misleading or that material information has been omitted, the Councilmember must raise these issues prior to approval of the distribution of the document.
- Council approval of Bond Documents and Preliminary Official Statement consistent with good disclosure practices

Financing Schedule Key Dates and Recommendation

Financing Schedule Key Dates

- June 29 Receive Credit Ratings
- July 1 Release of offering document to potential bidders
- July 14 Accept underwriter bids from competitive sale
- July 29 2021 GO Bond Closing

Recommendation

Approve the Authorizing Resolution authorizing the City to issue three series of general obligation bonds in an aggregate principal amount not to exceed \$225,000,000 and directing the execution of a Fiscal Agent Agreement and certain other related documents, and authorizing actions related thereto.