



Legislation Text

File #: 050545, Version: 0

Financing for Construction, Refunding of Tax-Exempt and Taxable Commercial Paper, Refunding of Utilities System Revenue Bonds, 1996 Series A (B)

In July 2005, the City Commission authorized, among other things, (1) the refunding of the 1996 Series A Bonds through the issuance of either fixed-rate bonds or variable-rate bonds that are converted synthetically to a fixed rate through the use of a "floating-to-fixed" interest rate swap; (2) the financing of up to \$175 million of new money for payment of Costs of Acquisition and Construction (capital projects) through the issuance of either fixed-rate bonds, variable-rate bonds or variable-rate bonds that are converted synthetically to a fixed rate through the use of a "floating-to-fixed" interest rate swap; (3) the conversion of the Series C and D CP Notes to fixed rates either through the issuance of fixed-rate bonds or through the use of a "floating-to-fixed" interest rate swap to convert this debt synthetically to a fixed rate; and (4) the negotiation of one or more "floating-to-fixed" interest rate swaps with Goldman, Sachs and /or Bear, Stearns if the financing team determined that it was most beneficial to the Utility to synthetically fix the interest rates on one or more of the above transactions.

When we received approval in July 2005, we did not know if interest rates were going to stay the same, decrease, or increase. As a result of the flexibility contained in the July 2005 approval, we have been able to lock-in significant savings in connection with the proposed refunding of the 1996 Series A Bonds. Upon the advice of the Utility's Financial Advisor and the Co-Senior Managers, Utilities staff entered into two interest rate swap transactions in late September. The first was a swap with Bear, Stearns (Bear Swap) that permitted us to achieve a favorable fixed rate of interest for a synthetic advance refunding of a portion of the 1996 Series A Bonds which, in conjunction with the issuance of the 2005 Series C Bonds, will provide net present value savings of \$6.861 million. The second was a swap with Goldman, Sachs (Goldman Swap) that permitted us to achieve a favorable fixed rate of interest for a synthetic current refunding of a portion of the 1996 Series A Bonds which, in conjunction with the issuance of a series of variable rate bonds in mid-2006, will provide net present value savings of \$6.376 million (the approval of those bonds is not being sought at this time; rather, Utilities staff will seek City Commission approval of those bonds in or about June 2006). These financial transactions with Bear, Stearns and Goldman, Sachs will result in total net present value savings of \$13.237 million. The savings will be spread over the life of the new issues and will serve to reduce in small part the amount of future rate increases that will be required of our ratepayers.

Based upon current market conditions, Utilities staff, in consultation with our Financial Advisor and Co-Senior Managers, has determined that it is appropriate to issue fixed-rate bonds in order to provide moneys for payment of Costs of Acquisition and Construction and to convert the Series C and D CP Notes to fixed rates.

The issuance of the 2005 Series A, B and C Bonds for the purposes referred to above is scheduled to occur during November. We recommend that the City Commission adopt the attached Authorizing Resolution which approves the sale of the 2005 Series A, B, and C Bonds and, in order to afford Utilities staff the flexibility to determine when market conditions are best for pricing the fixed-rate 2005 Series A and B Bonds, delegates certain authority to the General Manager or his designee to determine specific details with respect to the 2005 Series A and B Bonds. (As a result of the entry by the City into the Bear Swap, the details of the variable rate 2005 Series C Bonds already have been determined, so no such delegation is required in connection with the authorization of those Bonds).

This delegation authorizes the General Manager or his designee:(i) to determine, among other things: (a) if the City's Bond Counsel determines that, under applicable federal income tax law, monies needed for payment of Costs of Acquisition and Construction of certain air quality control systems for Deerhaven 2 cannot be financed on a tax-

exempt basis, whether or not such financing shall be done on a taxable basis through the issuance of the 2005 Series B Bonds;(b) the aggregate principal amounts of the 2005 Series A and B Bonds to be issued to fund Costs of Acquisition and Construction and to refund the Series C and D CP Notes; (c) the maturity dates of the 2005 Series A and B Bonds and the respective principal amounts of the 2005 Series A and B Bonds maturing on each maturity date and, if any 2005 Series A or B Bonds maturing on a particular date are to be issued as term bonds subject to mandatory redemption to satisfy sinking fund installments, the due dates and amounts of such sinking fund installments; (d) the interest rates to be borne by the 2005 Series A and B Bonds of each maturity; e) certain optional redemption provisions for the 2005 Series A and B Bonds; (f) whether to procure municipal bond insurance for all or a portion of the 2005 Series A and B Bonds; and (g) the underwriters' discount and the price at which the 2005 Series A and B Bonds will be sold to the Underwriters; provided, however, that: 1) the maximum aggregate principal amount of the 2005 Series A and B Bonds shall not exceed \$235 million; (2) the final maturity date of the 2005 Series A and B Bonds shall not be later than October 1, 2036; (3) the maximum rate of interest that the 2005 Series B Bonds may bear shall be 5.50% and the maximum rate of interest that the 2005 Series B Bonds may bear shall be 7.00%; (4) the earliest date on which the 2005 Series A Bonds may be redeemed at the election of the City shall be not later than October 1, 2020, and the highest redemption price at which the 2005 Series A Bonds may be so redeemed shall be not greater than 103% of the principal amount thereof, plus accrued interest to the date of redemption; (5) the spread over the "Treasury Rate" to be used to determine the price at which the 2005 Series B Bonds may be redeemed at the election of the City shall not exceed 1.00%; and (6) the true interest cost for the 2005 Series A and B Bonds shall not exceed 6.25%; and; (ii) to make such changes to the documents (other than the Authorizing Resolution and the Fourteenth and Fifteenth Supplemental Resolutions) as he determines are necessary or appropriate, subject to the approval of the City Attorney as to form and legality.

The Clerk of the Commission, the General Manger or other Authorized Officers of the City (as defined in the Utilities Bond Resolution) may be required to take certain other actions and hire certain other professionals to proceed with the issuance of the 2005 Series A, B and C Bonds. Therefore, we recommend that these officials be authorized to take such other actions that may be necessary or desirable to proceed with the issuance and closing of the bond issue in accordance with this City Commission authorization and delegation.

The City Commission: 1) Adopt the attached resolution (Authorizing Resolution), which :(a) incorporates by reference and adopts, and authorizes the execution and delivery of: (i) a Fourteenth Supplemental Utilities System Revenue Bond Resolution (Fourteenth Supplemental Resolution) which authorizes the issuance, sale, execution and delivery of not to exceed \$215,000,000 in aggregate principal amount of the City's tax-exempt Utilities System Revenue Bonds, 2005 Series A (2005 Series A Bonds) in order (X) to provide monies needed for payment of Costs of Acquisition and Construction (capital projects) and (Y) to refund the City's tax-exempt Utilities System Commercial Paper Notes, Series C (Series C CP Notes), and delegates the authority to determine certain matters in connection therewith; (ii) a Fifteenth Supplemental Utilities System Revenue Bond Resolution (Fifteenth Supplemental Resolution) which authorizes the issuance, sale, execution and delivery of not to exceed \$70,000,000 in aggregate principal amount of the City's taxable Utilities System Revenue Bonds, 2005 Series B (2005 Series B Bonds) in order (X) to provide monies needed to refund the City's taxable Utilities System Commercial Paper Notes, Series D (Series D CP Notes) and (Y) if the City's Bond Counsel determines that, under applicable federal income tax law, monies needed for payment of Costs of Acquisition and Construction of certain air quality control systems for Deerhaven 2 cannot be financed on a tax-exempt basis, to provide such monies, and delegates the authority to determine certain matters in connection therewith; and (iii) a Sixteenth Supplemental Utilities System Revenue Bond Resolution which authorizes the issuance, sale, execution and delivery of \$55,135,000 in aggregate principal amount of the City's Variable Rate Utilities System Revenue Bonds, 2005 Series C (2005 Series C Bonds) in order to advance refund a portion of the City's Utilities System Revenue Bonds, 1996 Series A (1996 Series A Bonds);(b) in the case of the 2005 Series A and B Bonds:(i)approves the form, and authorizes the execution and delivery, of a contract of purchase between the City and an underwriting group for which Goldman, Sachs serves as senior book-running manager and Bear, Stearns serves as co-senior manager, and delegates the authority to determine certain matters in connection therewith; (ii) approves the form, and authorizes the execution and delivery, of a continuing disclosure certificate; (iii) delegates the authority to procure municipal bond insurance for all or a portion of the

2005 Series A and B Bonds; and (iv) approves the form and use of the preliminary official statement and the official statement relating to the 2005 Series A and B Bonds and authorizes the execution and delivery of said official statement; (c) in the case of the 2005 Series C Bonds:(i)approves the form, and authorizes the execution and delivery, of a contract of purchase between the City and Bear, Stearns, as sole underwriter;(ii) in the event that the 2005 Series C Bonds are converted to the auction mode or the fixed mode, approves the form, and authorizes the execution and delivery, of a continuing disclosure certificate;(iii) approves the form, and authorizes the execution and delivery, of a remarketing agreement between the City and Bear, Stearns, pursuant to which Bear, Stearns will serve as the initial remarketing agent for the 2005 Series C Bonds; (iv) approves the form, and authorizes the execution and delivery, of a tender agency agreement between the City and U.S. Bank Trust National Association (who currently serves as Trustee for our Utilities System Revenue Bonds), pursuant to which U.S. Bank Trust will serve as the initial tender agent for the 2005 Series C Bonds; (v) approves the form, and authorizes the execution and delivery, of a standby bond purchase agreement between the City and SunTrust Bank, pursuant to which SunTrust Bank initially will provide liquidity support for any 2005 Series C Bonds that are tendered for purchase and not remarketed;(vi)approves the form, and authorizes the execution and delivery, of an escrow deposit agreement relating to the advance refunding of a portion of the 1996 Series A Bonds, authorizes the deposit of bond proceeds and certain other amounts into the escrow account to be established pursuant to said escrow deposit agreement, authorizes the investment of such monies in United States Treasury Securities - State and Local Government Series and ratifies the subscription of such United States Treasury Securities; (vii) approves the form and use of the official statement relating to the 2005 Series C Bonds; (viii) delegates the authority to extend the term of any facility providing liquidity support for the 2005 Series C Bonds or to procure another facility in substitution therefore; and (ix)delegates the authority to remove the remarketing agent and/or the tender agent for the 2005 Series C Bonds and to appoint successor(s) therefore; (d) in the case of the 2005 Series A, B and C Bonds:(i) authorizes the authentication and delivery of the 2005 Series A, B, and C Bonds; (ii) authorizes the registration or qualification of the 2005 Series A, B, and C Bonds under the blue sky laws of various states; and (iii)authorizes certain City officials to take other actions in connection with the issuance, sale and delivery of the 2005 Series A, B, and C Bonds; and (e) approves the designation of the Bear Swap and the Goldman Swap referred to below as "Qualified Hedging Contracts" within the meaning of the City's Amended and Restated Utilities System Revenue Bond Resolution (Utilities Bond Resolution), and provides for the securing of such Swaps under the Utilities Bond Resolution; and 2)Authorize the Clerk of the Commission, the General Manager and other Authorized Officers to execute such documents as may be necessary to proceed with the transactions authorized above and on July 13, 2005, and to take such other actions as may be necessary or advisable to proceed with the issuance of the 2005 Series A, B and C Bonds in accordance with this City Commission authorization.

Substantial present value savings will accrue to our ratepayers from the refunding of the 1996 Series A Bonds in the years 2010 through 2026. Additionally, issuing new money debt and refunding the Series C and D CP Notes at current low interest rates will help hold down future debt service costs.

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