



## Legislation Text

**File #:** 100466, **Version:** 0

A RESOLUTION INCORPORATING BY REFERENCE AND ADOPTING, AND AUTHORIZING THE EXECUTION AND DELIVERY OF, A TWENTY-THIRD SUPPLEMENTAL UTILITIES SYSTEM REVENUE BOND RESOLUTION FOR THE PURPOSE OF AUTHORIZING THE ISSUANCE, SALE, EXECUTION AND DELIVERY OF (1) NOT TO EXCEED \$20,000,000 OF THE CITY OF GAINESVILLE, FLORIDA'S UTILITIES SYSTEM REVENUE BONDS, 2010 SERIES A (FEDERALLY TAXABLE) IN ORDER TO PROVIDE MONEYS FOR THE PAYMENT OF A PORTION OF THE COST OF ACQUISITION AND CONSTRUCTION OF THE CITY'S COMBINED UTILITIES SYSTEM, INCLUDING CERTAIN CAPITALIZED INTEREST WITH RESPECT TO THE 2010 SERIES A BONDS, AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH, (2) NOT TO EXCEED \$135,000,000 OF THE CITY'S UTILITIES SYSTEM REVENUE BONDS, 2010 SERIES B (FEDERALLY TAXABLE - ISSUER SUBSIDY - BUILD AMERICA BONDS) TO PROVIDE MONEYS FOR THE PAYMENT OF A PORTION OF THE COST OF ACQUISITION AND CONSTRUCTION OF THE CITY'S COMBINED UTILITIES SYSTEM, INCLUDING CERTAIN CAPITALIZED INTEREST WITH RESPECT TO THE 2010 SERIES B BONDS, AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH AND (3) NOT TO EXCEED \$25,000,000 OF THE CITY'S UTILITIES SYSTEM REVENUE BONDS, 2010 SERIES C TO PROVIDE A PORTION OF THE MONEYS NECESSARY TO REFUND CERTAIN OF THE CITY'S OUTSTANDING UTILITIES SYSTEM REVENUE BONDS, AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH; APPROVING THE NEGOTIATED SALE OF THE 2010 SERIES A, B AND C BONDS AND APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF A CONTRACT OF PURCHASE WITH RESPECT THERETO, AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH; APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF A CONTINUING DISCLOSURE CERTIFICATE WITH RESPECT TO THE 2010 SERIES A, B AND C BONDS; APPROVING THE FORM, AND AUTHORIZING THE EXECUTION AND DELIVERY, OF AN ESCROW DEPOSIT AGREEMENT; AUTHORIZING THE DEPOSIT OF BOND PROCEEDS AND CERTAIN OTHER AMOUNTS INTO THE ESCROW ACCOUNT TO BE ESTABLISHED PURSUANT TO THE ESCROW DEPOSIT AGREEMENT AND THE INVESTMENT OF SUCH MONEYS IN UNITED STATES TREASURY SECURITIES - STATE AND LOCAL GOVERNMENT SERIES; AUTHORIZING THE AUTHENTICATION AND DELIVERY OF THE 2010 SERIES A, B AND C BONDS; APPROVING THE FORM AND USE OF THE PRELIMINARY OFFICIAL STATEMENT AND THE OFFICIAL STATEMENT RELATING TO THE 2010 SERIES A, B AND C BONDS AND AUTHORIZING THE EXECUTION AND DELIVERY OF SAID OFFICIAL STATEMENT; AUTHORIZING THE REGISTRATION OR QUALIFICATION OF THE 2010 SERIES A, B AND C BONDS UNDER THE BLUE SKY LAWS OF VARIOUS STATES; AUTHORIZING CERTAIN CITY OFFICIALS TO TAKE OTHER ACTIONS IN CONNECTION WITH THE ISSUANCE, SALE AND DELIVERY OF THE 2010 SERIES A, B AND C BONDS; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

This item is related to the financing for construction and refunding of certain outstanding bonds.

In October 2010, the City Commission, among other things, (1) authorized (a) the issuance of up to \$135 million par amount of fixed-rate new money bonds for payment of Costs of Acquisition and Construction (capital projects) and (b) the refunding of the 2003 Series A Bonds, the City's Utilities System Revenue Bonds, 2005 Series B (Federally Taxable) and the 2008 Series A Bonds through the issuance of fixed-rate tax-exempt bonds; and (2) approved the selection of Goldman Sachs as Senior Manager for the bonds, and authorized the appointment of additional Co-

Managers if doing so would enhance the distribution of the bonds.

With respect to the new money portion of the financing, GRU staff and our Financial Advisor have determined that the bonds to be issued to finance capital projects for GRUCom are not eligible to be financed on a tax-exempt basis. As a result, we now are recommending that those bonds be issued as the taxable 2010 Series A Bonds. In addition, while the balance of the new money portion of the financing is eligible to be financed on a tax-exempt basis, GRU staff and our Financial Advisor have determined that it is advantageous that those bonds instead be issued in the form of taxable "Build America Bonds," for which the City will be entitled to receive cash subsidy payments from the United States Treasury in an amount equal to 35% of the interest payable on such bonds. As a result, we now are recommending that those bonds be issued as the taxable 2010 Series B Build America Bonds. Since October, GRU staff and our financial advisor have been refining the structure of the financing. As a result, the authorization that we are seeking for the new money portion is approximately \$20 million greater than the amount that was requested in October 2010.

With respect to the refunding portion of the financing, GRU staff and our Financial Advisor have determined that it is advantageous that \$17.320 million of the 2008 Series A Bonds be refunded through the issuance of the tax-exempt 2010 Series C Bonds. In addition, GRU staff and our Financial Advisor have determined that, under current market conditions, the refunding of \$5.92 million of the 2003 Series A Bonds will produce satisfactory debt service savings. However, since market conditions may change up until the time of the pricing of the 2010 Series C Bonds, we are recommending that the General Manager be authorized to determine (a) not to refund all or a portion of such 2003 Series A Bonds and (b) to refund such other of the City's tax-exempt Utilities System Revenue Bonds as he determines are advantageous, in either such case, so long as (1) the aggregate principal amount of the 2010 Series C Bonds does not exceed \$25 million and (2) the issuance of the portion of the 2010 Series C Bonds to be issued for that purpose produces net present value savings, on an aggregate basis, of not less than 2.50% of the principal amount of such 2010 Series C Bonds.

The issuance of the 2010 Series A, B and C Bonds for the purposes referred to above is scheduled to occur in late November. We recommend that the City Commission adopt the attached Authorizing Resolution which approves the sale of the 2010 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 Bonds, delegates certain authority to the General Manager or his designee to determine specific details with respect to the 2010 Series A, B and C Bonds.

This delegation authorizes the General Manager or his designee:

- (i) to determine, among other things:
  - (a) the respective aggregate principal amounts of the 2010 Series A, B and C Bonds;
  - (b) the maturity dates of the 2010 Series A, B and C Bonds and the principal amounts of the 2010 Series A, B and C Bonds maturing on each maturity date and, if any 2010 Series A, B or C 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;
  - (c) the interest rates or rates to be borne by the 2010 Series A, B and C Bonds of each maturity;
  - (d) certain optional redemption provisions for the 2010 Series A, B and C Bonds; and
  - (e) the underwriters' discount and the price at which the 2010 Series A, B and C Bonds will be sold to the underwriters;

provided, however, that:

(1) In the case of the 2010 Series A Bonds:

- a. the maximum aggregate principal amount shall not exceed \$20 million;
- b. the final maturity date shall not be later than October 1, 2032;
- c. the maximum rate of interest that those Bonds may bear shall be 6.95%;
- d. the spread over the “Treasury Rate” to be used to determine the price at which those Bonds may be redeemed at the election of the City shall not exceed 1.00%, nor shall the spread be less than 0.10%; and
- e. the true interest cost for those Bonds shall not exceed 7.50%;

(2) In the case of the 2010 Series B Bonds:

- a. the maximum aggregate principal amount shall not exceed \$135 million;
- b. the final maturity date shall not be later than October 1, 2040;
- c. the maximum rate of interest that those Bonds may bear shall be 7.50%;
- d. the spread over the “Treasury Rate” to be used to determine the price at which those Bonds may be redeemed at the election of the City shall not exceed 1.00%, nor shall the spread be less than 0.10%; and
- e. the true interest cost for those Bonds shall not exceed 5.00%, taking into account the 35% cash subsidy payment from the United States Treasury that the City will be eligible to receive pursuant to Section 54AA(g) of the Internal Revenue Code; and

(3) In the case of the 2010 Series C Bonds:

- a. the maximum aggregate principal amount shall not exceed \$25 million;
- b. the final maturity date shall not be later than October 1, 2040;
- c. the maximum rate of interest that those Bonds may bear shall be 5.50%;
- d. the earliest date on which those Bonds may be redeemed at the election of the City shall be not later than October 1, 2030, and the highest redemption price at which those Bonds may be so redeemed shall be not greater than 100% of the principal amount thereof, plus accrued interest to the date of redemption; and
- e. the true interest cost for those Bonds shall not exceed 5.25%;

(ii) to take such actions as are necessary or desirable in order to irrevocably elect, in the name and on behalf of the City, to have Section 54AA(g) of the Internal Revenue Code apply to the 2010 Series B Bonds, thereby permitting the City to receive the 35% cash subsidy payments; and

(iii) to make such changes to the documents (other than the Authorizing Resolution and the Twenty-Third Supplemental Resolution) as he determines are necessary or appropriate, subject to the approval of the office of the

City Attorney as to form and legality.

The Clerk of the Commission, the General Manger or other Authorized Officers of the City may be required to take certain other actions and hire certain other professionals to proceed with the issuance of the 2010 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, a Twenty-Third Supplemental Utilities System Revenue Bond Resolution (Twenty-Third Supplemental Resolution), which authorizes the issuance, sale, execution and delivery of:

(i) not to exceed \$20 million in aggregate principal amount of the City's Utilities System Revenue Bonds, 2010 Series A (Federally Taxable) (2010 Series A Bonds) in order to provide monies needed for payment of Costs of Acquisition and Construction (capital projects) that are not eligible to be financed on a tax-exempt basis, and delegates the authority to determine certain matters in connection therewith;

(ii) not to exceed \$135 million in aggregate principal amount of the City's Utilities System Revenue Bonds, 2010 Series B (Federally Taxable - Issuer Subsidy - Build America Bonds) (2010 Series B Bonds) in order to provide monies needed for payment of Costs of Acquisition and Construction (capital projects) that are eligible to be financed on a tax-exempt basis, and delegates the authority to determine certain matters in connection therewith; and

(iii) not to exceed \$25 million in aggregate principal amount of the City's tax-exempt Utilities System Revenue Bonds, 2010 Series C (2010 Series C Bonds) in order to refund portions of (X) the City's tax-exempt Utilities System Revenue Bonds, 2003 Series A (2003 Series A Bonds), (Y) the City's Utilities System Revenue Bonds, 2008 Series A (Federally Taxable) (2008 Series A Bonds) and (Z) such other of the City's tax-exempt Utilities System Revenue Bonds as the General Manager may determine in the manner provided herein, and delegates the authority to determine certain matters in connection therewith; and

(b) in the case of the 2010 Series A, B and C 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 will serve as senior book-running 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) approves the form and use of the preliminary official statement and the official statement relating to the 2010 Series A, B and C Bonds and authorizes the execution and delivery of the official statement;

(iv) authorizes the authentication and delivery of the 2010 Series A, B and C Bonds;

(v) authorizes the registration or qualification of the 2010 Series A, B and C Bonds under the blue sky laws of various states; and

(vi) authorizes certain City officials to take other actions in connection with the issuance, sale and delivery of the 2010 Series A, B and C Bonds; and

(c) in the case of the 2010 Series C Bonds, approves the form, and authorizes the execution and delivery, of an escrow deposit agreement, authorizes the deposit of 2010 Series C Bond proceeds and certain other amounts into the escrow account to be established pursuant to said escrow deposit agreement and authorizes the investment of such monies in United States Treasury Securities - State and Local Government Series.

2. Authorize the Clerk of the Commission, the General Manager and other Authorized Officers of the City (as defined in the Utilities Bond Resolution) to execute such documents as may be necessary to proceed with the transactions authorized above and to take such other actions as may be necessary or advisable to proceed with the issuance of the 2010 Series A, B and C Bonds in accordance with this City Commission authorization.

Issuing new money debt and refunding taxable and tax-exempt debt at currently low fixed interest rates will help manage future debt service costs.

Prepared by Jennifer L. Hunt, Utilities Chief Financial Officer

Reviewed by Raymond O. Manasco, Jr., Utilities Attorney

Submitted by Robert E. Hunzinger, General Manager