



Legislation Text

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Financing for Construction (B)

This item is related to financing for costs of acquisition and construction.

In July 2009, the City Commission (1) authorized, among other things, (a) the financing of up to \$180 million of new money for payment of Costs of Acquisition and Construction (capital projects) through the issuance of fixed-rate bonds; and (b) conversion of approximately \$14 million of the taxable Utilities System Commercial Paper Notes, Series D to a fixed rate through the issuance of fixed-rate bonds; and (2) approved the selection of J.P. Morgan as Senior Manager for the bonds and authorized the appointment of additional Co-Managers if doing so would enhance the distribution of the bonds.

The issuance of the 2009 Series A, B and C Bonds for the purposes referred to above is scheduled to occur in late September. We recommend that the City Commission adopt the attached Authorizing Resolution which approves the sale of the 2009 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 2009 Series A, B and C Bonds.

This delegation authorizes the General Manager or his designee:

(i) to determine, among other things:

- (a) the aggregate principal amount of the 2009 Series A, B and C Bonds to be issued to fund Costs of Acquisition and Construction and to convert the Utilities System Commercial Paper Notes, Series D to a fixed rate;
- (b) in the case of that portion of the 2009 Series A, B and C Bonds to be issued to finance Costs of Acquisition and Construction that can be financed on a tax-exempt basis, to determine, on a maturity-by-maturity basis, whether it is more economic to issue such Bonds as traditional fixed rate tax-exempt bonds or as 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 the Bonds;
- (c) the maturity dates of the 2009 Series A, B and C Bonds and the principal amounts of the 2009 Series A, B and C Bonds maturing on each maturity date and, if any 2009 Series A, B and 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;
- (d) the interest rates or rates to be borne by the 2009 Series A, B and C Bonds of each maturity;
- (e) certain optional redemption provisions for the 2009 Series A, B and C Bonds; and
- (f) the underwriters' discount and the price at which the 2009 Series A, B and C Bonds will be sold to the underwriters;

provided, however, that:

- (1) In the case of the 2009 Series A Bonds;
 - a. the maximum aggregate principal amount shall not exceed \$25 million;
 - b. the final maturity date shall not be later than October 1, 2029;
 - c. the maximum rate of interest that the Bonds may bear shall be 7.00%;
 - d. the spread over the "Treasury Rate" to be used to determine the price at which the 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 the Bonds shall not exceed 6.25%;

(2) In the case of the 2009 Series B Bonds;

- a. the maximum aggregate principal amount, when combined with the aggregate principal amount of the 2009 Series C Bonds to be issued, shall not exceed \$180 million;
- b. the final maturity date shall not be later than October 1, 2039;
- c. the maximum rate of interest that the Bonds may bear shall be 7.00%;
- d. the spread over the "Treasury Rate" to be used to determine the price at which the 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 the Bonds shall not exceed 4.75%, taking into account the 35% cash subsidy payment from the United States Treasury that the City would be eligible to receive pursuant to Section 54AA(g) of the Internal Revenue Code; and

(3) In the case of the 2009 Series C Bonds;

- a. the maximum aggregate principal amount, when combined with the aggregate principal amount of the 2009 Series B Bonds to be issued, shall not exceed \$180 million;
- b. the final maturity date shall not be later than October 1, 2039;
- c. the maximum rate of interest that the Bonds may bear shall be 6.00%;
- d. the earliest date on which the 2009 Series C Bonds may be redeemed at the election of the City shall be not later than October 1, 2024, and the highest redemption price at which the 2009 Series C Bonds may be so redeemed shall be not greater than 103% of the principal amount thereof, plus accrued interest to the date of redemption; and
- e. the true interest cost for the Bonds shall not exceed 5.50%;

(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 2009 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-First and Twenty-Second Supplemental Resolutions) 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 Manager 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 2009 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 Twenty-First Supplemental Utilities System Revenue Bond Resolution (Twenty-First Supplemental Resolution) which authorizes the issuance, sale, execution and delivery of not to exceed \$25 million in aggregate principal amount of the City's Utilities System Revenue Bonds, 2009 Series A (Federally Taxable) (2009 Series A Bonds) in order to provide monies needed for payment of (x) Costs of Acquisition and Construction (capital projects) that cannot be financed on a tax-exempt basis and (y) the refunding of the City's taxable Series D Commercial Paper Notes, and delegates the authority to determine certain matters in connection therewith; and

(ii) a Twenty-Second Supplemental Utilities System Revenue Bond Resolution (Twenty-Second Supplemental Resolution) which authorizes the issuance, sale, execution and delivery of not to exceed \$180 million in aggregate principal amount of the City's taxable Build America Bonds as Utilities System Revenue Bonds, 2009 Series B (2009 Series B Bonds) and/or tax-exempt Utilities System Revenue Bonds, 2009 Series C (2009 Series C Bonds) in order to provide monies needed for payment of Costs of Acquisition and Construction that can be financed on a tax-exempt basis, and delegates the authority to determine certain matters in connection therewith; and

(b) in the case of the 2009 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 J.P. Morgan 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 2009 Series A, B and C Bonds and authorizes the execution and delivery of the official statement;

(iv) authorizes the authentication and delivery of the 2009 Series A, B and C Bonds;

(v) authorizes the registration or qualification of the 2009 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 2009 Series A, B and C Bonds; 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 to take such other actions as may be necessary or advisable to proceed with the issuance of the 2009 Series A, B and C Bonds in accordance with this City Commission authorization.

Issuing new money debt and converting variable rate debt at currently low fixed interest rates will help manage future debt service costs.

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