



Legislation Text

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Financing for Construction and Refunding of Certain Outstanding Bonds; Approval of Interest Mode Changes for Outstanding Variable Rate Bonds (B)

2014 Series A and B Bonds: In September of 2014, the City Commission, approved GRU's Fiscal Year 2015 (FY15) operating and capital budgets. The approved capital budget included approximately \$98 million in capital projects for the electric, water, wastewater, and gas systems for FY15. Accordingly, GRU proposes to issue approximately \$46 million of new tax-exempt debt to partially fund approved capital projects. Additionally, there are opportunities to advance refund 2005 Series A Bonds and to current refund a portion of the taxable 2008 Series A Bonds with tax-exempt debt. While refunding the 2005 Series A Bonds and 2008 Series A Bonds currently is projected to result in net present value savings of more than \$1 million, those savings are sensitive to market interest rates, are subject to change, and may not be realized if market interest rates change to make the refundings uneconomical.

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 eligible to be financed on a tax-exempt basis.

With respect to the refunding portion of the financing, GRU staff and our Financial Advisor have determined that it is advantageous that \$13.130 million of the 2005 Series A Bonds be refunded through the issuance of the tax-exempt 2014 Series B Bonds. As a result of certain federal income tax considerations, however, it may be necessary to reduce the amount of the 2005 Series A Bonds of each maturity that may be refunded, so we are recommending that the General Manager be delegated the authority to determine the actual amount of the 2005 Series A Bonds of each maturity to be refunded. In addition, GRU staff and our Financial Advisor have determined that, under current market conditions, the refunding of up to \$19.915 million of the 2008 Series A Bonds will produce satisfactory debt service savings. However, since market conditions may change up until the time of the pricing of the 2014 Series B Bonds, we are recommending that the General Manager be authorized to determine (a) not to refund all or a portion of such 2008 Series A Bonds and (b) to refund such other of the City's tax-exempt or taxable Utilities System Revenue Bonds as may be refunded on a tax-exempt basis as she determines are advantageous, in either such case, so long as (1) the aggregate principal amount of the 2014 Series B Bonds does not exceed \$37 million and (2) the issuance of the portion of the 2014 Series B Bonds to be issued for that purpose produces net present value savings, on an aggregate basis, of not less than 3.0% of the principal amount of such 2014 Series B Bonds.

The issuance of the 2014 Series A and B Bonds for the purposes referred to above is scheduled to occur in December. We recommend that the City Commission adopt the attached Authorizing Resolution which approves the sale of the 2014 Series A and B Bonds and, in order to afford Utilities staff the flexibility to determine when market conditions are best for pricing the Bonds, delegates certain authority to the General Manager or her designee to determine specific details with respect to the 2014 Series A and B Bonds.

This delegation authorizes the General Manager or her designee:

- (i) to determine, among other things:
 - (a) the respective aggregate principal amounts of the 2014 Series A and B Bonds;
 - (b) the maturity dates of the 2014 Series A and B Bonds and the principal amounts of the 2014 Series A and B Bonds maturing on each maturity date and, if any 2014 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;
 - (c) the interest rates or rates to be borne by the 2014 Series A and B Bonds of each maturity;
 - (d) certain optional redemption provisions for the 2014 Series A and B Bonds; and
 - (e) the underwriters' discount and the price at which the 2014 Series A and B Bonds will be sold to the underwriters;

provided, however, that:

- (1) in the case of the 2014 Series A Bonds:
 - a. the maximum aggregate principal amount shall not exceed \$46 million;
 - b. the final maturity date shall not be later than October 1, 2044;
 - c. the maximum rate of interest that those Bonds may bear shall be 5.5%;
 - d. the earliest date on which those Bonds may be redeemed at the election of the City shall be not later than October 1, 2034, 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%; and
- (2) in the case of the 2014 Series B Bonds:
 - a. the maximum aggregate principal amount shall not exceed \$37 million;
 - b. the final maturity date shall not be later than October 1, 2044;
 - c. the maximum rate of interest that those Bonds may bear shall be 5.5%;
 - d. the earliest date on which those Bonds may be redeemed at the election of the City shall be not later than October 1, 2034, 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%; and
- (iii) to make such changes to the documents (other than the Authorizing Resolution and the Twenty-Sixth Supplemental Resolution) as she 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 may be required to take certain other actions and hire certain other professionals to proceed with the issuance of the 2014 Series A and B 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.

Variable Rate Bonds: The City previously has issued, and there remain outstanding, several series of Utilities System Revenue Bonds the interest rates on which are reset periodically and which, under certain circumstances, are subject to tender for purchase at the election of the holders thereof, including the Variable Rate Utilities System Revenue Bonds, 2005 Series C, 2006 Series A, 2007 Series A, 2008 Series B and 2012 Series B (together, the Variable Rate Bonds). The Variable Rate Bonds of each series were issued in the form of “multi-modal” variable rate debt obligations, and the Supplemental Utilities System Revenue Bond Resolution adopted by the City Commission authorizing the issuance of each such series provided for several “Interest Modes” to which the Variable Rate Bonds may be subject from time to time, including the “Daily Mode,” the “Weekly Mode,” the “Flexible Mode,” the “Term Mode” and the “Fixed Mode.”

GRU staff and our Financial Advisor have determined that it may be advantageous to the Utility, in order to minimize the overall cost of maintaining the Variable rate Bonds of each series, to cause the Interest Mode to which the such Variable Rate Bonds are subject to be changed from time to time. As a result, we are recommending that the General Manager or her designee be authorized to cause the Interest Mode to which the Variable Rate Bonds of any series are subject to be changed, from time to time; provided, however, that the General Manager or such designee shall determine that any such change is necessary or desirable, and advantageous to the Utility, in order to minimize the overall cost of maintaining the Variable Rate Bonds of such series, and such determination shall be confirmed by the firm serving as the Utility’s financial advisor at that time.

Issuing new money debt and refunding taxable and tax-exempt debt at currently low fixed interest rates will help manage future debt service costs, as will the ability to cause the Interest Mode to which the Variable Rate Bonds of any series are subject to be changed from time to time.

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-Sixth Supplemental Utilities System Revenue Bond Resolution (Twenty-Sixth Supplemental Resolution), which authorizes the issuance, sale, execution and delivery of:
 - (i) not to exceed \$46 million in aggregate principal amount of the City’s tax-exempt Utilities System Revenue Bonds, 2014 Series A (2014 Series A 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

- (ii) not to exceed \$37 million in aggregate principal amount of the City's tax-exempt Utilities System Revenue Bonds, 2014 Series B (2014 Series B Bonds) in order to refund portions of (X) the City's tax-exempt Utilities System Revenue Bonds, 2005 Series A (2005 Series A Bonds) and (Y) either (1) the City's Utilities System Revenue Bonds, 2008 Series A (Federally Taxable) (2008 Series A Bonds) or (2) such other of the City's tax-exempt or taxable Utilities System Revenue Bonds as may be refunded on a tax-exempt basis as the General Manager may determine in the manner provided herein, and delegates the authority to determine certain matters in connection therewith;
- (b) in the case of the 2014 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 J.P. Morgan Securities LLC (JP 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 2014 Series A and B Bonds and authorizes the execution and delivery of the official statement;
 - (iv) authorizes the authentication and delivery of the 2014 Series A and B Bonds;
 - (v) authorizes the registration or qualification of the 2014 Series A and B 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 2014 Series A and B Bonds; and
- (c) in the case of the 2014 Series B Bonds, approves the form, and authorizes the execution and delivery, of an escrow deposit agreement, authorizes the deposit of 2014 Series B 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 2014 Series A and B Bonds in accordance with this City Commission authorization.

3. Delegate to the General Manager or her designee the authority to cause to be changed, from time to time, the Interest Mode to which the City's outstanding Variable Rate Utilities System Revenue Bonds are subject, subject to the limitations set forth herein.