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Title: Actions pertaining to Refinance of City of Fresno Lease Revenue Bonds:
1. ***RESOLUTION - Approving the issuance and sale of Series 2017A (tax exempt) and Series 2017B (federally taxable) bonds by the Fresno Joint Powers Financing Authority under the Master Lease Projects in a principal amount not to exceed an aggregate \$140 million, authorizing the execution and delivery of all documents and the taking of all necessary action relating to the financing. (City action)
2. RESOLUTION of the Fresno Joint Powers Financing Authority authorizing the issuance and sale of Series 2017A (tax exempt) and Series 2017B (federally taxable) bonds under the Master Lease Projects in a principal amount not to exceed an aggregate \$140 million, authorizing the execution and delivery of all documents and the taking of all necessary action relating to the financing. (Mayor Brand, Council President Olivier, Successor Agency Chair Baines)
3. Approval of a revised Debt Management Policy. (City action)

Sponsors: Finance Department

Indexes:

Code sections:

Attachments: 1. 766091661(4)_2017 Third Supplemental Trust Agmt - Fresno Lease Ref Bonds (2).pdf, 2. 766454781(3)_First Amendment to Facility Lease (Series 2001B).pdf, 3. 766454629(2)_First Amendment to Site Lease (Series 2001B).pdf, 4. FresnoBPC.pdf, 5. 766091440(5)_Third Amendment to Master Facilities Lease - Fresno Lease Refunding.pdf, 6. 766091020(6)_Third Amendment to Master Facilities Sublease - Fresno Lease Refunding.pdf, 7. Revised Debt Policy Final.pdf, 8. Resolution - City of Fresno.pdf, 9. Resolution - Fresno Joint Powers Financing Authority.pdf

Date	Ver.	Action By	Action	Result
4/6/2017	1	City Council	approved	Pass

April 6, 2017

FROM: MICHAEL LIMA, Finance Director/City Controller
Finance Department

BY: PHILLIP HARDCASTLE, Principal Accountant - Debt Administration
Finance Department

SUBJECT

Actions pertaining to Refinance of City of Fresno Lease Revenue Bonds:

- ***RESOLUTION - Approving the issuance and sale of Series 2017A (tax exempt) and Series 2017B (federally taxable) bonds by the Fresno Joint Powers Financing Authority under the Master Lease Projects in a principal amount not to exceed an aggregate \$140 million, authorizing the execution and delivery of all documents and the taking of all necessary action relating to the financing. **(City action)**
- RESOLUTION of the Fresno Joint Powers Financing Authority authorizing the issuance and sale of Series 2017A (tax exempt) and Series 2017B (federally taxable) bonds under the

Master Lease Projects in a principal amount not to exceed an aggregate \$140 million, authorizing the execution and delivery of all documents and the taking of all necessary action relating to the financing. **(Mayor Brand, Council President Olivier, Successor Agency Chair Baines)**

3. Approval of a revised Debt Management Policy. **(City action)**

RECOMMENDATION

Staff recommends adoption of the subject resolutions approving the issuance by the Fresno Joint Powers Financing Authority (JPFA) of up to an aggregate principal amount not to exceed \$140 million in Lease Revenue Bonds, and approval of a revised Debt Management Policy. Staff also recommends approving the execution and delivery of amendments to the Master Trust Agreement, the Master Facilities Lease, the Master Facilities Sublease, an Escrow Agreement, a Bond Purchase Contract, an Official Statement and a Continuing Disclosure Certificate; and authorizing the taking of all necessary actions relating to the financing.

EXECUTIVE SUMMARY

Staff is requesting that the Fresno Joint Powers Financing Authority authorize, and the City of Fresno approve, the issuance and sale of additional lease revenue bonds (Series 2017A and 2017B) for the purpose of refinancing several existing bonds in order to achieve annual debt service savings, primarily for the General Fund. The existing bonds financed construction and/or renovation work at facilities including City Hall, the Stadium, the Convention Center, various parks, and the Public Safety Regional Training Center. The new bonds are expected to mature no later than April 1, 2040, with a true interest cost not to exceed 10 percent and Net Present Value (NPV) savings around 7%. Staff also recommends the authorization, execution and delivery of all documents, and the taking of all necessary actions relating to the financing, and approval of a revised Debt Management Policy.

BACKGROUND

Over the past 19 years, the City Council and the JPFA have issued the following bonds:

Approval Date	Tax-Exempt Par Issued	CAP* or Taxable Par Issued	Rate Range	Purpose	Tax-Exempt Remaining	CAP* or Taxable Remaining
8/25/1998	\$25,395,000	\$17,250,000	4.75%	1998 Exhibit Hall Expansion	\$14,820,000	\$ 9,000,000
5/15/2001	\$23,615,000	\$22,235,000	5.00 - 5.75%	2001 Multi-Purpose Stadium	\$16,550,000	\$16,540,000
3/30/2004	\$23,910,000	\$28,870,000	5.00 - 5.375%	2004 Various (Parking Lots, Renovations & CC Garage)	\$13,865,000	\$13,880,000

6/06/2006	\$15,420,000	\$ 3,305,000	4.00 - 4.5%	2006 Convention Center Improv. (Phase 1)	\$ 4,780,000	\$ 0
3/11/2008	\$38,550,000	\$ 2,405,000	4.25 - 5.25%	2008 No Neighborhood Left Behind	\$ 17,915,000	\$ 0
4/29/2008	\$36,050,000	\$ 1,635,000	3.75 - 5%	2008 Parks Impact Fee Proj.	\$30,885,000	\$ 0
7/29/2008	\$ 3,405,000	\$21,410,000	4.5 - 6.7%	2008 City Hall Chiller & Conv. Center Improvements (Phases 1-3)	\$ 3,405,000	\$10,955,000
3/31/2009	\$43,385,000	\$ 0	5.00 - 6.375%	2009 Fire and Police Facilities	\$35,500,000	\$ 0
8/26/2010	\$25,450,000	\$21,045,000	3.47 - 7.3%	2010 City Hall, Bee Building & Granite Park	\$10,680,000	\$21,045,000

* CAP = Capital Appreciation Bonds (interest is included in the Par Amount)

With the decrease in interest rates over the past several years and the improvement that has occurred in the City's finances as evidenced by the upgrade in the City's credit rating by various credit rating agencies, the opportunity has arisen to refinance those bonds at a lower interest rate. Staff worked with the City's financial advisor, KNN Public Finance, to solicit and evaluate proposals from banks on a possible refinancing. After careful evaluation, the City chose Raymond James as the primary underwriter on this issue, with Barclay's and Stifel as the secondary underwriters.

The proposed refinancing will consolidate most of the outstanding series of bonds into two series: Series 2017 A (Tax Exempt) and Series 2007 B (Taxable). The amounts to be refinanced are listed below:

Series	Refinancing Par	Tax-Exempt	Taxable
1998	\$14,820,000	\$14,820,000	
2001	\$16,550,000	\$16,550,000	
2004	\$13,865,000	\$13,865,000	
2006	\$ 4,780,000	\$ 4,780,000	
2008	\$ 6,540,000	\$ 6,540,000	
2008	\$12,655,000	\$12,655,000	
2008	\$ 3,405,000	\$ 3,405,000	
2009	\$35,550,000	\$35,550,000	
2010	\$31,725,000	\$10,680,000	\$21,045,000

Total	\$139,890,000	\$118,845,000	\$21,045,000
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The proposed refinancing has two advantages over the current structure.

- First, the refinancing will produce substantial annual savings. With a true interest cost not to exceed 10 percent and Net Present Value (NPV) savings around 7%, the annual savings generated are anticipated to average just under \$1.5 million per year. The General Fund will recognize approximately 77%, or \$1.15 million per year. The savings is structured so that a larger portion of the savings will be realized at the beginning of the refinanced debt's schedule, with a smaller portion realized at the end of the debt schedule. This savings is generated without extending the life of the debt beyond the April 1, 2040 due date that currently exists for the bond with the longest remaining life.
- Second, the proposed refinancing releases several properties that are currently encumbered as collateral on the existing bond issues. Those properties to be released are:
 - Fire Station #1
 - Fire Station #5
 - Fire Station #6
 - Fire Station #7
 - Fire Station #8
 - Fire Station #9
 - Fire Station #11
 - Fire Station #12
 - Northeast Police Substation
 - Parking Garage #7

Staff anticipates selling the bonds early next month. The anticipated savings will be realized in time for inclusion into the Fiscal Year 2018 budget. Given the multiple benefits that the proposed refinancing accomplishes, staff recommends that Council approves the resolutions authorizing the issuance and sale of the Series 2017 A and Series 2017 B bonds, provides authorization to execute and deliver various documents associated with the refinancing, and permit the taking of all necessary actions relating to the financing.

As part of the refinancing process, staff at the City, KNN, and Raymond James also reviewed the City's Debt Management Policy to insure compliance with Senate Bill 1029 (SB 1029). SB 1029, which was signed into law by Governor Brown in September 2016, mandated certain requirements for debt management policies that are adopted by local governments and agencies. The SB 1029 review found that the City's current Debt Management Policy met all of SB 1029's requirements, with one exception. That exception was the lack of language addressing internal controls on debt transactions. However, while the City's policy was generally in compliance with SB 1029, the review turned up some outdated language. That outdated language usually took the form of referencing an entity that no longer exists (e.g., the Redevelopment Agency) or a milestone that was to occur in a now previous year (e.g. "The City in Fiscal Year 2010...."). Given the change required under SB 1029, the outdated language in the current policy, and the fact that the current policy has not been updated since 2010, the decision was made to perform a comprehensive update of the Debt Management Policy. The Debt Management Policy being presented in conjunction with this bond sale authorization is SB 1029 compliant and no longer contains outdated language, while still maintaining all the key elements of the policy that made it recognized as one of the best debt policies in the State.

ENVIRONMENTAL FINDINGS

This item is not a project of the City of Fresno and as such, the California Environmental Quality Act requirements are not applicable.

LOCAL PREFERENCE

Local preference was not considered because this resolution does not include a bid or award of a construction or service contract.

FISCAL IMPACT

Refinancing the various debts mentioned above will generate approximately 7% in Net Present Value savings, and reduce the City's annual debt service by approximately \$1.5 million. The General Fund will recognize approximately 77%, or \$1.15 million of the savings annually.

Attachments:

Resolution - City of Fresno

Resolution - Fresno Joint Powers Financing Authority

Debt Management Policy