



Bond Process

Presentation 16-317

July 25, 2016

Overview

- Voters authorized up to \$166 million in bonds
- Will be Sales & Use Tax Revenue Bonds
- Secured by pledge of 1% & pledge of 3.5% subordinate to existing revenue bonds
- 2014 first issuance \$78 Million



Documents

- Bond Ordinance
- Registrar Paying Agent Agreement
- Continuing Disclosure Certificate
- Bond Purchase Agreement
- Preliminary Official Statement
- Official Statement
- Sale Certificate (Council action not required)



Bond Ordinance

- Authorizes the bond issuance
- Informs there will be a negotiated sale and affirms/ratifies the POS as reliable
- Sets out the parameters for bond issuance
- Pledges revenue and recognizes pledge of 3.5% revenue is subordinate to Series 2015 bonds
- Covenants to not reduce pledged revenues
- Delegates authority to officers of City to effectuate the ordinance & comply with law



Registrar Paying Agent Agreement

- Names a bank as registrar & paying agent for bonds
- Registrar & paying agent causes bonds to be honored in accordance with their terms
- City agrees to send debt service payments to bank so bank can pay bond holders
- Bank handles & pays costs of issuance out of bond proceeds



Continuing Disclosure Certificate

- Requires City to issue annual financial report to Municipal Securities Rulemaking Board
- Requires City to report material events
- Annual financial reports & reporting of material events must continue until:
 - All remaining bonds are defeased
 - City is no longer an “obligated person”
 - A court invalidates the rule requiring reporting



Bond Purchase Agreement

- City proposes to issue \$55 million in bonds
- Sets terms & conditions for sale to Stifel, Nicolaus & Company
- Sets terms of the bonds
 - Price for the bonds (par or premium)
 - Date of the sale
- Lists issuance expenses



Preliminary Official Statement

- Provides information about City & community
- Discusses security for bonds
- Insurance, if any, for bonds
- Authority for bond issuance
- Sources & uses of City funds
- City revenues available for debt service
- City financial operations



Official Statement

- POS plus:
 - Offering price of bonds
 - Interest rates
 - Selling compensation
 - Aggregate principal amount
 - Principal amount per maturity
 - Delivery date
 - Ratings & any other terms



Sale Certificate

- Doesn't require Council direct approval since it is authorized by bond ordinance
- Sale can only be approved if within parameters set by the ordinance
- Specifies pricing of bonds
- Sets out times, amounts & prices for bond redemptions



Next Steps

- Documents will be submitted in packet for August 1 meeting
- Bond ordinance on first reading August 1
- Bond ordinance on second reading August 15
- Bond issuance middle to end of September depending on bond market conditions



Market Conditions

- Supply/Demand conditions in the municipal bond market have continued to be favorable for the issuers of municipal debt
- Interest rates have trended lower through May, 2016
- The BREXIT vote in late June has dramatically driven interest rates even lower still
- Interest Rates in the municipal market are now at the lowest levels ever measured by the Municipal Market Database Index (initiated in 1991)



Refinancing Opportunity

- The City entered into a lease agreement in 2006 which provided for the construction of City Hall through the issuance of Certificates of Participation
- The 2006 COPs are eligible for pre-payment in December
- Interest Rates on the COPs could be reduced from current levels, which range from 4.25% to 5.00%, to an estimated 2.50%
- To accomplish a refinancing, the City would enter into a new lease to be approved by ordinance at upcoming meetings

