City of Ukiah

City Council
CONTINUED ADJOURNED
Special and Regular Meeting
AGENDA

Civic Center Council Chamber ♦ 300 Seminary Avenue ♦ Ukiah, CA 95482

February 20, 2020 - 4:00 PM

1. ROLL CALL

2. PLEDGE OF ALLEGIANCE

3. PROCLAMATION/INTRODUCTIONS/PRESENTATIONS

4. PETITIONS AND COMMUNICATIONS

5. APPROVAL OF MINUTES

6. RIGHT TO APPEAL DECISION

Persons who are dissatisfied with a decision of the City Council may have the right to a review of that decision by a court. The City has adopted Section 1094.6 of the California Code of Civil Procedure, which generally limits to ninety days (90) the time within which the decision of the City Boards and Agencies may be judicially challenged.

7. CONSENT CALENDAR

The following items listed are considered routine and will be enacted by a single motion and roll call vote by the City Council. Items may be removed from the Consent Calendar upon request of a Councilmember or a citizen in which event the item will be considered at the completion of all other items on the agenda. The motion by the City Council on the Consent Calendar will approve and make findings in accordance with Administrative Staff and/or Planning Commission recommendations.

8. AUDIENCE COMMENTS ON NON-AGENDA ITEMS

The City Council welcomes input from the audience. If there is a matter of business on the agenda that you are interested in, you may address the Council when this matter is considered. If you wish to speak on a matter that is not on this agenda, you may do so at this time. In order for everyone to be heard, please limit your comments to three (3) minutes per person and not more than ten (10) minutes per subject. The Brown Act regulations do not allow action to be taken on audience comments in which the subject is not listed on the agenda.

9. COUNCIL REPORTS

10. CITY MANAGER/CITY CLERK REPORTS

11. PUBLIC HEARINGS (6:15 PM)

12. UNFINISHED BUSINESS

13. NEW BUSINESS

13.a. Urgency Item: Status report, Discussion and Possible Action Regarding Refunding of 2006 Wastewater Revenue Bonds.

Recommended Action: Staff will provide an update on the current status of refunding of the 2006 Wastewater Revenue Bonds and Council will have the opportunity to consider new or additional direction as may be deemed warranted.

Attachments: None

14. CLOSED SESSION - CLOSED SESSION MAY BE HELD AT ANY TIME DURING THE MEETING

14.a. **Conference with Legal Counsel—Anticipated Litigation**

(Government Code Section 54956.9(d))

A. Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Government Code Section 54956.9: (Number of potential cases: 1.)

B. Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: (Number of potential cases: 1)

Recommended Action: Confer in Closed Session

Attachments: None

15. ADJOURNMENT

Please be advised that the City needs to be notified 72 hours in advance of a meeting if any specific accommodations or interpreter services are needed in order for you to attend. The City complies with ADA requirements and will attempt to reasonably accommodate individuals with disabilities upon request. Materials related to an item on this Agenda submitted to the City Council after distribution of the agenda packet are available for public inspection at the front counter at the Ukiah Civic Center, 300 Seminary Avenue, Ukiah, CA 95482, during normal business hours, Monday through Friday, 8:00 am to 5:00 pm.

Agenda Item No: 13.a.
MEETING DATE/TIME: 2/20/2020
ITEM NO: 2020-263

City of Ukiah

AGENDA SUMMARY REPORT

SUBJECT: Urgency Item: Status report, Discussion and Possible Action Regarding Refunding of 2006 Wastewater Revenue Bonds.

DEPARTMENT: Finance **PREPARED BY:** Dan Buffalo, Finance Director
PRESENTER:

ATTACHMENTS:
None

Summary: The City has an opportunity to significantly reduce the interest cost associated with the 2006 Wastewater Revenue Bonds by Refunding such bonds at lower interest rates, thereby saving the City's ratepayers money each year without extending the length of the term of the debt.

City Staff has been working diligently to close on the refunding. Given the timing of close and evolving discussions with the Ukiah Valley Sanitation District, staff is requesting Council consider an urgency item to receive an update and provide direction as may be deemed necessary.

Background: For the past three years City staff has been working with its consultants attempting to refinance the outstanding 2006 Water and Wastewater Revenue Bonds, Series A, issued on the City's behalf by the Association of Bay Area Governments (the "Authority"), in the aggregate principal amount of $75,060,000, which have a remaining balance of $51,950,000 (the "2006 Bonds"). Under the 2006 Bond Documents, the Ukiah Valley Sanitation District (the "District") is treated as a large customer of the City's Wastewater Enterprise and in 2006 the District and City entered into a financing agreement requiring the District to reimburse the City for a certain allocable share (the "District's Allocable Share") of the City's debt service payments made on the 2006 Bonds.

The current bond market provides an opportunity for the City to refinance the 2006 Bonds to a lower interest rate in order to reduce the cost of debt service payable by the City (this process is hereafter referred to as a "Refunding"). Much like refinancing a home mortgage, this Refunding will provide a substantial net (after all costs and expenses) savings on the interest accrued over the life of the bonds, which is a direct benefit to the City and its ratepayers.

The District is currently seeking an independent private placement financing, the proceeds of which the District intends to use to prepay the District's Allocable Share (the "District's 2020 Obligations") which equates to 54% of the outstanding principal of the 2006 Bonds.

The City can accomplish the full Refunding of the 2006 Bonds (i.e., the other 46% outstanding principal of the 2006 Bonds) by issuing new "City of Ukiah, Series 2020 Wastewater Revenue Refunding Obligations (2020 Wastewater Refunding Project)" (the "2020 Obligations"). The proceedings do not require a public hearing or a rate increase, and there is no provision for public protest. The reason for this is that the Refunding saves the City (and the District for its share) and its ratepayers money without increasing its annual obligation or its overall principal obligation represented by the 2006 Bonds.

The 2006 Bonds bear interest at rates ranging from 4.00% to 4.75% and have a final maturity date of March 1, 2035. The 2006 Bonds may now be Refunded with no penalty on (upon 30 days' notice to the present bondholder) on March 1, 2020. If the City misses the March 1st prepayment date the next chance to refund the 2006 Bonds would be between June 1, 2020 and September 1, 2020.

Staff, with the assistance of its financing team, on December 23, 2019, issued a Request for Proposals/Bids to several targeted financial institutions requesting proposals (the "Proposals") to provide financing for the Refunding on a privately placed basis. Staff has identified BBVA USA as the best overall Proposal (the "Bank"). BBVA USA is also the bank being selected by the District to finance the District's 2020 Obligations.

FINANCIAL IMPACTS

The City has an opportunity to significantly reduce the interest cost associated with the 2006 Bonds by Refunding such bonds at lower interest rates, thereby saving the City's ratepayers money each year without extending the length of the term of the debt. Based upon the bid received from the Bank, the Refunding of the 2006 Bonds is estimated to generate net present value savings of approximately $3.4 million (13.5% of refunded par). The source of repayment for the 2020 Obligations would be limited solely to the Net Revenues of the Wastewater Enterprise, and the 2020 Obligations would not be a debt of the General Fund and there is no collateral pledged therefor.

GOOD FAITH ESTIMATES

The following information consists of estimates that have been provided by the Municipal Advisor and has been represented by such party to have been provided in good faith:

A. True Interest Cost of the 2020 Obligations: 2.42%
B. Finance Charge of the 2020 Obligations (Sum of all fees/charges paid to third parties): $534,805
C. Net Proceeds of the 2020 Obligations to be Received (net of finance charges, reserves and capitalized interest, if any): $24.4 million
D. Total Payment Amount through Maturity of the 2020 Obligations: $29.9 million

The foregoing constitute good faith estimates only. The principal amount of the 2020 Obligations, the true interest cost of the 2020 Obligations, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to: (a) the actual date of the sale of the 2020 Obligations being different than the date assumed for purposes of such estimates; (b) the actual principal amount of 2020 Obligations sold being different from the estimated amount used for purposes of such estimates; (c) the actual amortization of the 2020 Obligations being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of sale of the 2020 Obligations being different than those estimated for purposes of such estimates; (e) other market conditions; or (f) alterations in the City's financing plan, or a combination of such factors.

The actual date of sale of the 2020 Obligations and the actual principal amount of 2020 Obligations sold will be determined by the City based on a variety of factors. The actual interest rates borne by the 2020 Obligations may be subject to change from what is presented above and that may have an impact on the amortization of the 2020 Obligations.

Discussion: At the special meeting on January 29, 2020, the City Council adopt a resolution authorizing the sale, execution and delivery of the 2020 City Obligations, and directed staff to issue a provisional call notice of the 2006 Ukiah Wastewater Revenue Bonds through the Trustee, Wells Fargo Bank.

Staff has been working to close the transaction which is timed for mid February. Until the transaction closes, the City retains the option of not moving forward if staff believes that it is not in the City's interest to do so.

Staff will provide an update on the current status and may seek additional direction and input from the City Council.

Recommended Action: Staff will provide an update on the current status of refunding of the 2006 Wastewater Revenue Bonds and Council will have the opportunity to consider new or additional direction as may be deemed warranted.

BUDGET AMENDMENT REQUIRED: N/A

CURRENT BUDGET AMOUNT: N/A

PROPOSED BUDGET AMOUNT: N/A

FINANCING SOURCE: N/A

PREVIOUS CONTRACT/PURCHASE ORDER NO.: N/A

COORDINATED WITH: N/A

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