



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: October 11, 2016

TO: Mayor and Councilmembers

FROM: Administration Division, Public Works Department
Administration Division, Finance Department
City Attorney's Office

SUBJECT: Introduction Of Ordinance Authorizing Agreements For The Potential Refinancing Of The 2004 Sewer Revenue Bonds

RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the City of Santa Barbara Authorizing the Execution and Delivery by the City of an Installment Sale Agreement, a Trust Agreement and a Continuing Disclosure Agreement in Connection with the Execution, Authentication and Delivery of Santa Barbara Financing Authority Sewer Revenue Bonds, Series 2016 (Payable Solely from Installment Payments Secured by Net System Revenues of the Wastewater Fund of the City of Santa Barbara), and Authorizing Related Actions.

DISCUSSION:

Staff from the Public Works Department, Finance Department and the City Attorney's Office have been working toward the sale of Wastewater Fund bonds to refinance the existing 2004 Sewer Revenue Bonds.

The purpose of refinancing existing bonds is to capitalize on the historically low interest rate environment and thereby realize savings in current interest costs. Staff anticipates selling the new bonds in December 2016.

In connection with the sale of the bonds, the City will be entering into various long-term agreements that, because they exceed five years in term, require adoption of a City ordinance to approve the execution of the agreements.

One of the agreements is the Installment Sales Agreement. This agreement is between the City of Santa Barbara and the Santa Barbara Financing Authority (Authority). The Authority was created pursuant to a Joint Exercise of Powers Agreement between the City of Santa Barbara and the Redevelopment Agency of the City. Pursuant to AB 1x26, as amended, the Redevelopment Agency was dissolved as of February 1, 2012. The Successor Agency to the Redevelopment Agency succeeded to the Redevelopment

Agency and assumed all of the rights, duties and obligations of the former Redevelopment Agency. The Authority was organized for the purpose of assisting and facilitating the financing for purposes authorized under the Joint Powers Act. The 2016 Bonds will be issued by the Authority.

The Installment Sale Agreement provides for the sale by the City of the improvements ("Project"), financed by the original debt issued by Wastewater Fund, to the Authority and then the purchase of the Project from the Authority by the City. The City will utilize net revenue from the Wastewater Fund to make installment payments to the Authority which will be used by the Authority to pay the debt service on the refunding bonds. The Installment Sale Agreement sets out the main security parameters for the bonds such as the rate covenant and conditions under which additional debt can be issued.

The City will also need to execute a Trust Agreement between the City, Authority and U.S. Bank National Association through which the right to receive the installment payments, and interest thereon, will be assigned by the Authority to the Trustee.

The Continuing Disclosure Agreement requires the City to provide to the Trustee, acting as Dissemination Agent, for the benefit of the holders of the Bonds, certain financial information and notice of certain material events (such as change in bond rating) on an ongoing basis. Each year, as long as the bonds are outstanding, the City has a requirement to submit financial information to bondholders and the general investment industry pursuant to Securities Exchange Commission requirements. This includes updated information regarding the finances of the City, in this case of the Wastewater Fund, so that current bondholders and potential investors can assess if financial conditions have changed relative to the financial information contained in the original bond offering documents. The City provides the continuing disclosures to the Trustee, who then files the information to the Electronic Municipal Market Access ("EMMA") system administered by the Municipal Securities Rulemaking Board. EMMA is a centralized online source for free access to municipal disclosures, market transparency data and educational materials about the municipal securities market.

Next Steps

During the next two months, City staff will be proceeding with the next steps:

1. Adoption on October 18th of the accompanying ordinance.
2. Adoption by the Santa Barbara Financing Authority of a resolution authorizing the execution of the Installment Sale Agreement and Trust Agreement and the execution of the bonds.
3. Adoption by the City of a resolution approving the competitive sale of the refunding bonds, and related matters.
4. Meeting with bond rating agencies to secure a bond rating, which will have a direct impact of the interest rates offered through the competitive bid process.

5. Sale of the bonds.

With its adoption on October 18th, the ordinance will become effective thirty days later (November 17th). The sale of the bonds is currently scheduled for early December 2016.

Copies of the Installment Sale Agreement, the Trust Agreement and the Continuing Disclosure Agreement are available for review by the public at the City Clerk's Office and available to Council members in the City Council's reading file.

PREPARED BY: Robert Samario, Finance Director
Sarah Knecht, Assistant City Attorney

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office