

MEETING DATE: May 15, 2013

ITEM # 10

SUBJECT:

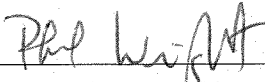
CONSIDERATION OF CITY COUNCIL RESOLUTION 13-32 AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND ISSUANCE AGREEMENT AND AN ESCROW AGREEMENT; AUTHORIZING THE ISSUANCE OF SPECIAL TAX REFUNDING BONDS; APPROVING CERTAIN OTHER ACTIONS RELATED THERETO

INITIATED OR REQUESTED BY:

Council Staff
 Other

REPORT COORDINATED OR PREPARED BY:

Paul Blumberg, Public Finance Manager



Philip A. Wright, Director of Administrative Services

ATTACHMENT Yes No Information Direction Action

OBJECTIVE

Administrative Services Department staff regularly reviews debt management practices to identify opportunities to refinance or otherwise modify existing debt obligations to realize significant savings. The actions associated with this report would provide significant savings by the refinancing of a bond issue for CFD 12 (Raley Field).

RECOMMENDED ACTION

It is respectfully recommended that the West Sacramento City Council approve Resolution 13-32 which authorizes the following actions:

1. Authorize execution and delivery of the Bond Issuance Agreement and Escrow Agreement;
2. Approve the issuance of bonds in an amount not to exceed \$5,900,000;
3. Authorize retention of bond counsel for the transaction;
4. Authorize officers of the City to execute and deliver documents;
5. Authorize the Mayor and City Clerk to execute bond documents;
6. Approve other actions associated with the bond issuance.

BACKGROUND

In 1999, special tax revenue bonds, the Community District No. 12 ("CFD 12") Series 1999 bonds, were issued to fund construction of infrastructure improvements adjacent to Raley Field, and to serve the ballpark. The CFD 12 bonds are secured by the property on which the Raley Field ballpark was constructed. Bonds for \$7,825,000 were issued for a 30-year term and mature in 2029. There is a \$5,824,986 par amount of bonds currently outstanding, and these outstanding bonds represent excellent candidates for refinancing to realize cost savings.

On September 19, 2012, staff presented City Council with an analysis of the potential savings in refinancing the CFD 12 bonds and the potential to realize that savings would exceed 5%, the threshold for savings that has been used in the past (and well beyond the 3% threshold that is in the City's investment policy). The savings would accrue to the ballpark operating entity, the Sacramento Rivercats, due to provisions of the Local Baseball Agreement which established the public/private partnership to finance the Raley Field Ballpark.

Subsequent to last fall's City Council presentation, the City has assembled a finance team to prepare for a refinancing of the special tax revenue bonds. The team includes Del Rio Advisors (Financial Advisor to the City), Piper Jaffray (Placement Agent), Kronick Moskovitz Tiedemann & Girard (Bond Counsel), and Bank of New York Mellon (Escrow Agent).

Piper Jaffray has recommended that the City pursue a "private placement" with a bank lender, rather than a public offering in order to realize greater savings and avoid the costs involved with a "public offering". The private placement approach has been used successfully on a number of the City's recent refinancing. This approach has included Piper Jaffray soliciting proposals from multiple bank lenders in recent months. While there has been strong interest in the offering, only recently did Piper Jaffray bring to the City a proposed term sheet for the City's consideration which had received full credit approval from the bank lender.

A proposed term sheet (included as an attachment to this report) has been submitted by Alliance Bank, an Arizona-based lender. The proposal is for Alliance Bank to purchase the refunding bonds in the principal amount of up to \$5,855,000. Key terms of the Alliance Bank term sheet include

Interest rate:	3.45%
Interest rate lock:	June 11, 2013
Final maturity:	September 1, 2028 (one year earlier than existing maturity)
Reserve requirement:	None
Prepayment:	Loan can be prepaid 100% at any time

The anticipated savings would be greater than what was anticipated as presented to the City Council last September. A summary of the cost savings is summarized as follows:

The total issuance amount: \$6,451,757
Net Present Value savings: \$643,957 over 16 years
Net Present Value savings, as a percentage of refunded bonds: 10.56%
Maturity term would be reduced by one year from 2029 to 2028

As per City Council's direction to avoid any extension of debt repayment when refinancing debt for savings, the term of the refinancing bonds will not be extended. In fact, an added benefit of the Alliance Bank proposal is that the existing debt service reserve (equal to one year's debt service) will no longer be necessary and can be used to pay off the bond debt a year earlier than previously scheduled, or by September 1, 2028 (rather than 9/1/2029).

The team has prepared the refinancing documents necessary to close the deal by June 11, 2013, and those documents are included by reference to this report and are specifically described in Resolution 13-32 (copies of which have been placed on file with the City Clerk). Upon approval of tonight's recommended action, the team would be ready to conclude the transaction as per the Alliance Bank term sheet.

ANALYSIS

The benefit of pursuing the refinancing is twofold: The refinancing would create cost savings that would reduce operating costs to Raley Field between FY 2013 and FY 2029; and the refinancing could also result in a reduction in the liability to the County of Sacramento and City of West Sacramento, the two entities that have provided payment guarantees on the CFD 12 bonds.

The Local Baseball Agreement was the landmark financing agreement for financing Raley Field. That agreement established a West Sacramento Redevelopment Agency subsidy to the Sacramento Rivercats that paid most of the debt service on the CFD 12 bonds. The reimbursements by the Redevelopment Agency to the baseball entities over the life of the bonds already reduce the amount of property tax that must be paid by the ballpark operations. The Redevelopment Agency reimbursement is calculated as: 1) a fixed component, and 2) a component that is based on the assessed valuation of the ballpark property. The nature of these payments would not be affected by the refinancing. Thus, any reduction in the debt service resulting from a refinancing would further reduce that portion of debt service paid by the Sacramento Rivercats that is not covered (what had historically been made) by the Redevelopment Agency. These Redevelopment Agency payments are now included on the Recognized Obligation Payment Schedules approved by the West Sacramento Redevelopment Successor Agency Oversight Board. The finance team has met with representatives of the Sacramento Rivercats, and they concur that the proposed refinancing would have benefits to the ballpark operating expenses and they support the proposed refinancing.

The refinancing as a private placement rather than a public offering avoids the uncertainty associated with variable prices, terms, and market conditions at the time of sale. The municipal bond market continues to experience interest rates that are at historic lows and the City continues to realize the benefit of these favorable conditions.

The actions before the City Council today will result in the approval of key documents that are required for the issuance of the Special Tax Refunding Bonds, Series 2013. Please note that the resolution allows the City Council to approve the documents substantially in the form presented and direct staff to proceed with execution. Some modifications to the documents are expected as additional information from the bond market becomes available. A summary of the documents is provided below:

1. **Bond Issuance Agreement (BIA)** – The BIA establishes the legal contract between the City and the bond purchaser, in this case Alliance Bank. The bank will buy the bonds from the City at interest rates and prices agreed upon by the City. The agreement establishes that the special taxes levied on CFD 12 will be the security for payment of principal and interest on the refunding bonds. The agreement established conditions that allow for early redemption of the bonds and other rights of the City. The BIA also sets forth who is responsible for paying various, necessary expenses associated with the issuance of the bonds.

2. **Escrow Agreement** – This agreement with Bank of New York (BNY) Mellon creates an escrow account for the deposit of funds sufficient to repay principal and interest payments owed to investors in the prior bonds under a predetermined schedule in the future.

Because this is a private placement with a bank lender, there will no longer be a need to issue Annual Continuing Disclosure Statements, which will save the City approximately \$2,500 – \$3,000 annually.

Schedule and key actions

If City Council approves the staff recommendation contained in Resolution 13-32 attached to this report, the following key actions and tentative dates are anticipated to follow, assuming that market conditions are favorable, including:

- **May 15th** City Council approves issuance of the 2013 Refunding Bonds.
- **May 16th** Terminate the Guaranteed Investment Contract (investment of reserve funds)
- **Week of May 20th** Prepare Verification Report
- **Week of May 27th** Documents executed
- **June 10th** Pre-closing
- **June 11th** Closing and transfer of funds

Recommended Actions

In summary, staff is requesting approval of Resolution 13-32 which will:

- Authorize and approve the issuance of the Community Facilities District 12 (Raley Field) Special Tax Refunding Bonds, Series 2013.
- Authorize the execution of the following documents: 1) the Bond Issuance Agreement, and 2) the Escrow Agreement.
- Authorize the Mayor and the City Clerk to execute each series of the Series 2013 Bonds.
- Authorize the firm of Kronick Moskovitz Tiedeman & Girard to serve as Bond Counsel to the City.
- Authorize Designated Officers to execute and deliver documents associated with this transaction.

Copies of the bond documents are incorporated into this report by reference, and copies have been placed on file with the City Clerk.

Strategic Plan Integration

The City has a Strategic Plan goal to achieve a *Financially Sound City Government*. Managing existing debt to achieve savings is a critical tool available to the Administrative Services Department to achieve that goal. Proceeding with a refinancing would provide savings to the property owner in the future, and potentially return funds to the City's general fund through the Redevelopment Property Tax Trust Fund.

Alternatives

As an alternative to the recommended action, the Council could direct that the action be deferred if there are questions or concerns about the nature of the transaction. Since the Alliance Bank term sheet expires June 11, 2013, deferring approval of documents would prevent us from concluding the transactions by the expiration date. By not approving the staff recommendation, this would hurt our ability to capture a favorable market.

Coordination and Review

This staff report was coordinated with and reviewed by the City Manager's Office.

Budget/Cost Impact

The fees associated with the refinancing will be totally contingent upon a successful closing. Because this is a private placement rather than a public offering, there are no non-contingent fees associated with preparation of a Preliminary Official Statement, or the cost of pursuing a credit agency rating. Since the finance team is approaching this as a "non-rated" transaction, there is no at-risk or un-refundable expenses associated with seeking rating agency opinion on the proposed refinancing.

The potential refinancing is contingent upon a successful closing. Fees associated with the cost of issuance are estimated at approximately \$183,250 (including Underwriters Discount), payable on completion of the refinancing. The cost of issuance amounts to 2.8% of the \$6,451,757 refunding bonds.

While benefits of the refinancing will primarily benefit the Raley Field management entity, some revenue would return to the City's general fund. To the extent that the Redevelopment Agency subsidy is reduced because of the reduction in debt service, those funds not necessary to make debt service payments are distributed to the City as a taxing entity as part of the redevelopment dissolution process.

ATTACHMENTS

1. Resolution 13-32
2. Alliance Bank Term Sheet
3. Vicinity Map

REFERENCE DOCUMENTS (ON FILE WITH THE CITY CLERK)

1. Bond Issuance Agreement
2. Escrow Agreement

RESOLUTION 13-32

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST SACRAMENTO
AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND ISSUANCE
AGREEMENT AND AN ESCROW AGREEMENT; AUTHORIZING THE ISSUANCE
OF SPECIAL TAX REFUNDING BONDS; AND APPROVING CERTAIN OTHER
ACTIONS RELATED THERETO**

**COMMUNITY FACILITIES DISTRICT NO. 12
(RALEY'S FIELD)**

WHEREAS, by Resolution 99-33, adopted on April 21, 1999, the City Council of the City of West Sacramento (the "City") established the City's Community Facilities District No. 12 (Raley's Field) (the "CFD") pursuant to the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5, Part 1, Division 2, Title 5 (commencing with Section 53311) of the California Government Code) (the "Act"), for the purpose of providing for the financing of the construction and acquisition of certain public capital facilities described in the Resolution of Formation; and

WHEREAS, on April 21, 1999, the qualified electors of the CFD authorized the City Council to levy special taxes upon the land within the CFD and to issue bonds in the principal amount of not to exceed \$7,900,000 (the "Bonds"), secured by the special taxes, pursuant to the terms of the Act; and

WHEREAS, the City previously issued \$7,825,000 of its Community Facilities District No. 12 (Raley's Field) Special Tax Bonds (the "Prior Bonds"), which the City intends to refund by issuing its Community Facilities District No. 12 (Raley's Field) Special Tax Refunding Bonds, Series 2013 (the "Refunding Bonds"), pursuant to a Bond Issuance Agreement dated June 1, 2013 (the "Bond Issuance Agreement"); and

WHEREAS, the conditions for the issuance of the Refunding Bonds and the conditions of California Government Code 53362.5, have been satisfied; and

WHEREAS, the conditions of California Government Code section 53362.7 have been satisfied, such that the principal amount of the Refunding Bonds will not reduce the authorized amount of CFD 12 bonds issued by the City; and

WHEREAS, the following documents and proposed agreements relating to the issuance, sale and delivery of the Refunding Bonds by the City, which are incorporated herein by reference, have been presented to the City Council for its review and approval:

1. The Bond Issuance Agreement of the City, pursuant to which the City will issue the Refunding Bonds to Alliance Bank of Arizona, a division of Western Alliance Bank; and
2. The Escrow Agreement ("Escrow Agreement") by and between the City and The Bank of New York Mellon Trust Company, N. A., as escrow agent; and

WHEREAS, it appears to the City Council that the authorization, approval, execution, and delivery of the Bond Issuance Agreement, the Escrow Agreement, and the agreements and documents contemplated thereby or incidental thereto, and the issuance, sale, and delivery of the Refunding Bonds in accordance with the Bond Issuance Agreement are desirable and in the best interests of the City;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of West Sacramento, that:

Section 1. Recitals. The foregoing recitals are true and correct and the City Council so finds and determines.

Section 2. Authorization of Officers to Execute and Deliver the Bond Issuance Agreement and the Escrow Agreement. The City Council hereby authorizes the Mayor, the City Manager, the Director of Administrative Services, the Director of Finance, the Public Finance Manager, and the City Clerk, and their designees (the "Designated Officers"), and each of them individually, for and in the name of the and on behalf of the City, to approve, execute, and deliver the Bond Issuance Agreement and the Escrow Agreement, in substantially the forms presented to the City Council at this meeting, which agreements are hereby approved, with such changes, insertions, revisions, corrections, or amendments as shall be approved by the officer or officers executing the agreements for the City Council. The execution of the foregoing by a Designated Officer or Officers shall constitute conclusive evidence of such officer's or officers' and the City Council's approval of any such changes, insertions, revisions, corrections, or amendments to the form of the agreement presented to the City Council at this meeting. The date, respective principal amounts of each maturity, the interest rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption, and other terms of the Refunding Bonds, shall be as provided in the Bond Issuance Agreement as finally executed.

Section 3. Authorization to Issue Bonds. The City Council hereby authorizes the issuance of the Refunding Bonds in accordance with the terms of the Bond Issuance Agreement as finally executed.

Section 4. Authorization of Sale. The City Council hereby authorizes the sale, at a price equal to their principal amount, of not to exceed \$6,100,000 principal amount of Refunding Bonds, bearing interest at a rate not to exceed 4.00% per annum to Alliance Bank of Arizona, a division of Western Alliance Bank.

Section 5. Retention of Bond Counsel. Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, is hereby appointed bond counsel to the City for the issuance and sale of the Refunding Bonds. The Designated Officers are each hereby authorized and directed to execute and deliver an agreement for services with that firm in the form on file with the City Clerk.

Section 6. General Authorization. The City Council hereby authorizes and directs the Designated Officers, and each of them individually, for and in the name of and on behalf of the City Council, to do any and all things and to execute and deliver any and all documents that they may deem necessary or advisable in order to complete the sale, issuance, and delivery of the Refunding Bonds and otherwise to carry out, give effect to, and comply with the terms and intent of this resolution. All actions heretofore taken by such officers and agents that are in conformity with the purposes and intent of this resolution are hereby ratified, confirmed and approved in all respects.

Section 8. Effective Date. This resolution shall take effect immediately upon its passage.

APPROVED, PASSED AND ADOPTED on this 15th day of May, 2013, by the following vote:

AYES:
NOES:
ABSENT:

Christopher L. Cabaldon, Mayor

ATTEST:

Kryss Rankin, City Clerk

Alliance Bank

OF ARIZONA

VIA EMAIL

Mr. Matt Morrell
Piper Jaffray & Co.
800 Nicollet Mall, J12SF1
Minneapolis, MN 55402

Alliance Bank of Arizona ("Purchaser") is pleased to submit the following preliminary terms, subject to review of all relevant documentation, for the purchase of the Special Tax Revenue Refunding Bonds of the West Sacramento Public Financing Authority (CFD 12) ("Borrower").

Principal amount:	\$5,855,000 (Preliminary)
Security Structure:	Loan treatment
Final maturity:	September 1, 2028
Interest:	Payable semi-annually beginning March 1, 2014
Amortization:	Annually beginning September 1, 2014
Interest rate:	3.45% (tax-exempt)
Interest Lock Period:	Through June 11, 2013
Prepayment:	Pre-payable, in whole or in part, at 100% at any time
Security:	As described in the RFP
Reserve Fund:	None required
Origination fee:	None
Other fees due at closing:	Legal fees not to exceed \$10,500
Legal Counsel:	Ballard Spahr, LLP
Funding:	On or before June 11, 2013
Reporting requirements:	Annual distribution to Purchaser of financial statements. Notification to Purchaser of any material impact to Borrower's financial position.
Assignment:	Purchaser retains right to assign its interest in the refunding bonds and will give Borrower appropriate written notice of such assignment

This proposal must be accepted by May 3, 2013, in order for Alliance Bank of Arizona to proceed with its consideration of the proposed transaction. Please sign the enclosed copy of this term sheet to myself via e-mail or regular mail to my attention (see contact information below).

Submitted on behalf of Alliance Bank of Arizona by:



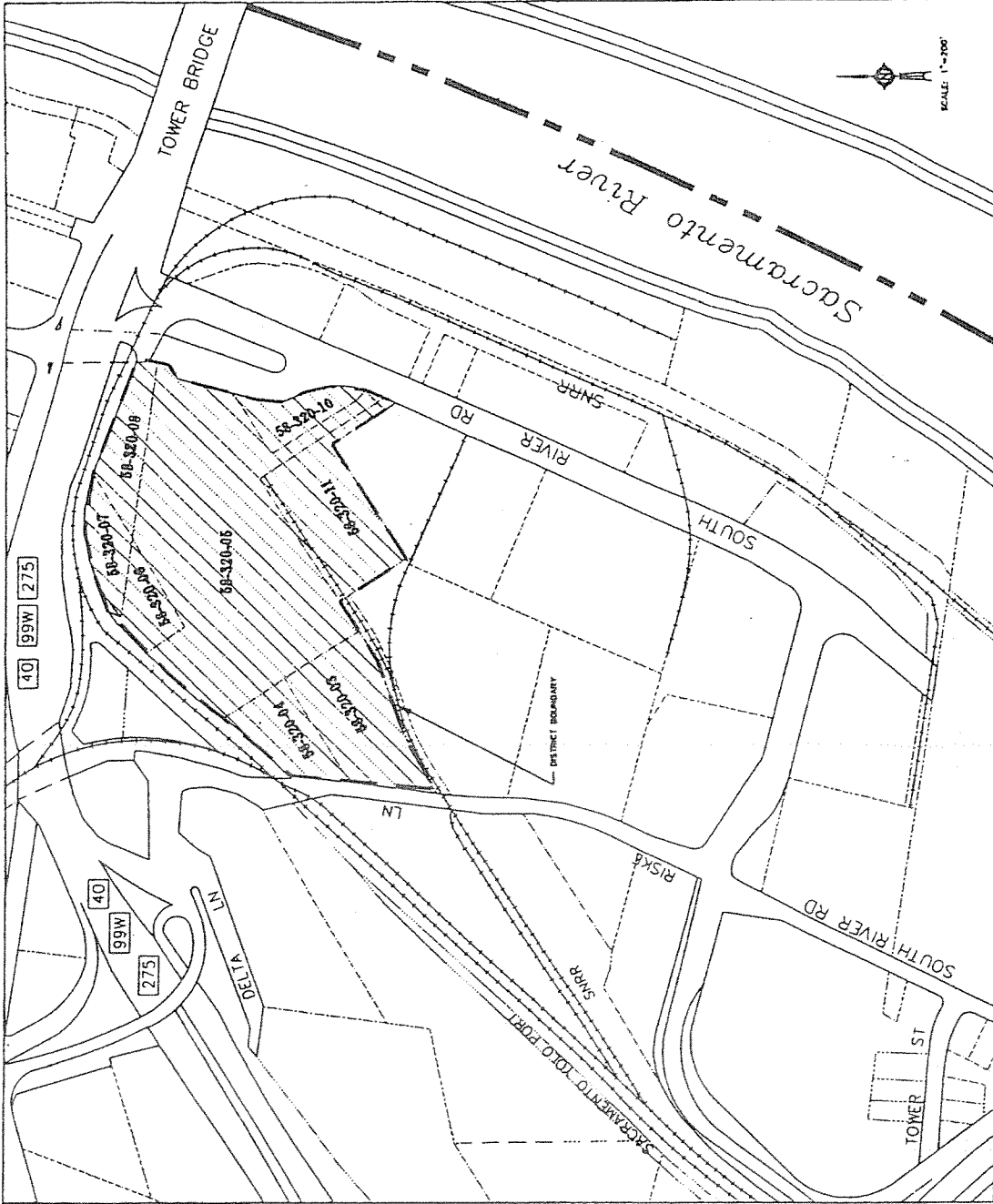
James B. Sult, Jr.
Vice President – Municipal Investment Manager
Western Alliance Bancorporation
One East Washington Street, 14th Floor
Phoenix, AZ 85004
(602) 797-3634 (O)
jsult@westernalliancebancorp.com

West Sacramento Public Financing Authority

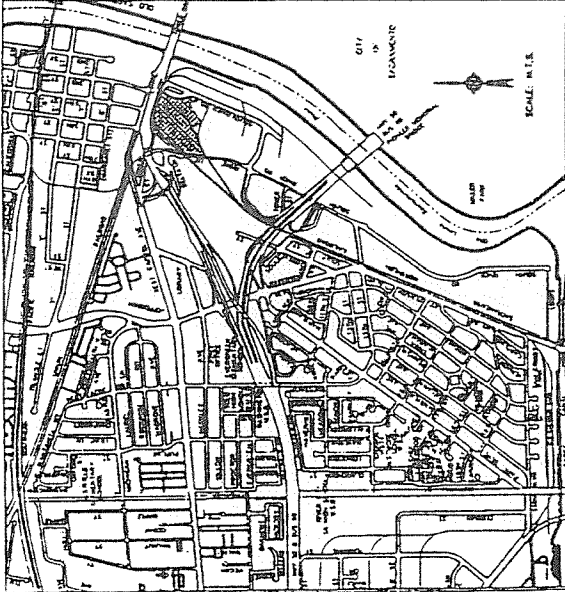
By: _____

Title: _____

Date: _____



PROPOSED BOUNDARIES OF
 COMMUNITY FACILITIES DISTRICT No. 12
 CITY OF WEST SACRAMENTO
 COUNTY OF YOLO
 STATE OF CALIFORNIA



VICINITY MAP
 SCALE: 1/2 MILE

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF WEST SACRAMENTO ON THIS _____ DAY OF _____, 1989.

HELENA W. KAMONOWSKI
 CITY CLERK
 CITY OF WEST SACRAMENTO

WHEREAS, CERTAIN PARCELS SHOWING THE BOUNDARIES OF COMMUNITY FACILITIES DISTRICT No. 12, CITY OF WEST SACRAMENTO, COUNTY OF YOLO, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF WEST SACRAMENTO AT A REGULAR MEETING THEREOF, HELD ON THE _____ DAY OF _____, 1989, BY ITS RESOLUTION No. 79- _____;

HELENA W. KAMONOWSKI
 CITY CLERK
 CITY OF WEST SACRAMENTO

THIS MAP AMENDS AND SUPERSEDES THE BOUNDARY MAP FOR COMMUNITY FACILITIES DISTRICT No. 12, CITY OF WEST SACRAMENTO, COUNTY OF YOLO, STATE OF CALIFORNIA, AS RECORDED IN BOOK 3 OF MAPS OF WEST SACRAMENTO AND COUNTY FACILITIES DISTRICTS AT PAGE 74 IN THE OFFICE OF THE COUNTY RECORDER SAID MAP TO CORRECT THE TITLE OF SAID MAP AND LEGEND ON THE PRIOR RECORDED MAP.

HELENA W. KAMONOWSKI
 CITY CLERK
 CITY OF WEST SACRAMENTO

FILED THIS _____ DAY OF _____, 1989, AT THE HOUR OF _____ O'CLOCK _____ BY BOOK _____ OF MAPS OF WEST SACRAMENTO AND COUNTY FACILITIES DISTRICTS AT PAGE _____ IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF YOLO, STATE OF CALIFORNIA.

HELENA W. KAMONOWSKI
 COUNTY RECORDER
 COUNTY OF YOLO