



Midpeninsula Regional
Open Space District

R-16-94
Meeting 16-17
July 20, 2016

AGENDA ITEM 3

AGENDA ITEM

Approval of the Inclusion of an Advance Refunding of the Callable Portions of the 2011 Bonds with the 2007 Bonds, in the 2016 Green Bonds (Refunding), and an Associated Revised Schedule

GENERAL MANAGER'S RECOMMENDATION

Authorize the General Manger to direct staff to include advance refunding of the callable portion of the 2011 Bonds and to take the actions described in the Revised Schedule for the 2016 Green Bonds (Refunding), so as to obtain significant future cash savings.

SUMMARY

Approval allows the District to continue the process of coming to market with the 2016 Green Bonds (Refunding) tentatively scheduled for early to mid-September 2016, including working with the Financial Advisor, in concert with the Underwriter, to develop a Plan of Finance that will be advantageous to the District, in the context of current market conditions.

MEASURE AA

The 2016 Green Bonds (Refunding) transaction is not related to Measure AA, as this transaction refunds revenue bonds issued prior to the passage of MAA and is under the authorization of the District's Financing Authority.

DISCUSSION

On June 8, 2016 the Board approved contracts to establish a newly formed Bond Team (Financial Advisor, Underwriter, Bond Counsel and Disclosure Counsel) and approved a Proposed Schedule to support the September 2016 refunding of the 2007 Revenue Bonds (R-16-73). Since that time, a kick off meeting for this effort was held, and close monitoring of the municipal bond market has commenced.

With the passage of the 'Brexit' referendum vote in the UK, US Treasury and Municipal Market Data (MMD) rates have been pushed to historic lows, as investors sought shelter and safety in the government bond markets, increasing demand for the types of bonds that the District sells. Over the past weeks, ongoing analysis has been conducted and it has become apparent that it is beneficial for the District to pursue additional bond refunding at this time, to take advantage of the historically low rates.

As such, the General Manager and Controller recommend the 2016 Green Bonds (Refunding) now include, subject to market conditions, both the 2007 Bonds, as described in the June 8, 2016 Board Report, and additionally include the portion of the 2011 Bonds subject to optional redemption (callable portion), which are the maturities from 2022 to 2041. It is estimated, under current market condition, that the inclusion of the callable portion of the 2011 Bonds into the 2016 Green Bonds (Refunding) transaction will yield an approximate additional \$2 Million in savings over the life of those bonds. Additional information about the 2016 Bonds is that they will be designated as ‘Green’ bonds to reflect the positive environmental impact and climate benefits the funded projects will have.

To bring the 2016 Green Bonds (Refunding) issue to market at the most advantageous time, the following Revised Schedule and accompanying key actions and dates, is proposed:

Revised Schedule for completion of the remaining items for issuance of the 2016 Refunding

Transmit documents to rating agencies	Week of Aug. 1
Board/Financing Authority approval of documents	Aug. 10
Rating agency presentations	Aug. 11
Ratings received	Week of Aug. 15
Pricing	Sept. 8
Distribution of final documents	Sept. 13
Closing	On or about Sept. 22

FISCAL IMPACT

Based on current market conditions, it is estimated that the 2007 Revenue Bonds and the refunded portion of the 2011 Authority Bonds (the portion subject to optional redemption) may be refinanced at a True Interest Cost in the less than 3% range with savings of at least 15%, and be redeemed on September 23, 2016. The estimated future savings exceed \$12 million. The present value savings are estimated to exceed \$10 million.

BOARD COMMITTEE REVIEW

There was no Committee review for this agenda item.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

This item is not a project subject to the California Environmental Quality Act.

NEXT STEPS

If authorized by the Board, the 2016 Green Bonds (Refunding) will be sold early to mid-September 2016.

On or about August 10, 2016, the Chief Financial Officer will convene a meeting of the Financing Authority and/or the District Board to seek authorization to complete the transactional work related to the 2016 Green Bonds (Refunding) and approve related financing documents. This will include actions to refund the 2007 Bonds and refund the portion of the 2011 Authority Bonds subject to optional redemption. Also at that time, an accompanying Board Report will be presented during a regular meeting of the Board of Directors and/or the Financing Authority to finalize documentation and authorize the selling of the bonds, including a Resolution Authorizing the Issuance of the Bonds, approving the Official Statement, in addition to other documents and matters related to the financing.

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