

AGENDA ITEM #: _____

DATE: February 24, 2020

CAR #: 2020-6877



CITY COUNCIL ACTION REPORT

SUBJECT: Ordering the sale of the City of Goodyear, Arizona, Subordinate Lien Water and Sewer Revenue Obligations, Taxable Refunding Series 2020.

STAFF PRESENTER(S): Jared Askelson, Finance Manager

OTHER PRESENTER(S): None

Summary: This action will refund bonds originally issued in 2011 and issue new bonds at a more advantageous interest rate to create savings in the Water and Wastewater enterprises. These bonds will be taxable to take advantage of current bond market conditions and to share issuance costs with other bond sales occurring at the same time.

Recommendation: ADOPT RESOLUTION NO. 2020-2031 SEVENTH SUPPLEMENTAL RESOLUTION SUPPLEMENTING AND AMENDING THE CITY OF GOODYEAR, ARIZONA, RESOLUTION NO. 99-662, DATED JANUARY 25, 1999, AS THEREAFTER AMENDED AND SUPPLEMENTED (WHICH AUTHORIZES THE INCURRENCE OF WATER AND SEWER REVENUE REFUNDING AND IMPROVEMENT INDEBTEDNESS); AUTHORIZING THE EXECUTION AND DELIVERY OF CITY OF GOODYEAR, ARIZONA, SUBORDINATE LIEN WATER AND SEWER REVENUE OBLIGATIONS, TAXABLE REFUNDING SERIES 2020, AND THE SALE THEREOF TO THE PURCHASER THEREOF; PRESCRIBING THE FORM AND OTHER DETAILS OF THE TAXABLE REFUNDING SERIES 2020 OBLIGATIONS; PROVIDING THAT SUCH TAXABLE REFUNDING SERIES 2020 OBLIGATIONS SHALL BE SUBORDINATE OBLIGATIONS AS DEFINED IN RESOLUTION NO. 99-662, AS AMENDED AND SUPPLEMENTED; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST AGREEMENT, A AGREEMENT, A DEPOSITORY TRUST AGREEMENT, AN OBLIGATION PURCHASE CONTRACT, A CONTINUING DISCLOSURE CERTIFICATE, AN OFFICIAL STATEMENT AND FORMS OF RELATED OBLIGATION DOCUMENTS; DELEGATING CERTAIN AUTHORITY TO THE FINANCE DIRECTOR AND OTHER OFFICERS OF THE CITY; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS SEVENTH SUPPLEMENTAL RESOLUTION; AND DECLARING AN EMERGENCY.

Fiscal Impact: The refunding is estimated to result in a net savings of approximately \$2.3 million in today's dollars. This represents a 17% savings from the prior debt amount for the Water and Wastewater operating funds. The actual savings will be based on interest rates available when the bonds are issued in April 2020. The date of the final payment will remain July 1, 2041.

Background and Previous Actions

After Council approval on February 14, 2011, the City issued \$15,480,000 of Subordinate Lien Water and Sewer Revenue Obligations in March 2011. These obligations are secured with revenues generated by the Water and Wastewater enterprises. They are subordinate to senior bonds issued by the City in that senior bonds legally have the first right to be paid. The senior bonds are the outstanding Water and Sewer Revenue Refunding Bonds, Series 2009 and 2009 Water Infrastructure Financing Authority (WIFA) Loan. These obligations will have interest payments that are considered taxable compensation. This is done to allow for the refunding to take place now to take advantage of the current bond market and to share costs of issuance with other bond sales occurring at this time.

This action will refund the 2011 Subordinate Lien Obligations and reissue new subordinate lien obligations taking advantage of current interest rates to create a net savings for the Water and Wastewater enterprises.

Staff Analysis

The 2020 Subordinate Refunding Obligations will be issued in an aggregate original principal amount not to exceed \$15,000,000, with a yield not exceeding 5.00%, and a maximum maturity not to exceed July 1, 2041. Within these parameters, the City's staff, financial advisor, and underwriters will maximize savings available at the time of the sale of the obligations in April.

City staff has consulted with the financial advisor to the City, with respect to the debt service savings related to the Refunding Bonds. City staff and bond counsel have reviewed the proposed issuance and sale of the Refunding Bonds, and finds that the contemplated transaction is in compliance with State of Arizona law and City policies.

Attachments

- A. Resolution No. 2020-2031
- B. Continuing Disclosure Certificate
- C. Trust Agreement
- D. Refunding Agreement
- E. Depository Trust Agreement
- F. Obligation Purchase Agreement
- G. Preliminary Official Statement DRAFT
- H. Presentation