

Stockton Public Financing Authority Wastewater Revenue Refunding Bonds Series 2024 (the “2024 Bonds”)

City Council / Stockton Public Financing Authority

July 9, 2024

Agenda Item 15.5



Existing Parity Obligations of the City's Wastewater Fund

Water Infrastructure Finance and Innovation Act ("WIFIA")

Loan Number: N18126CA

Principal Payments: September 1, 2030 to September 1, 2051
Remaining Amount: \$108,000,000
Interest Rate: 1.20%
Purpose: Repaid Bond Anticipation Notes sold to fund the Regional Wastewater Control Facilities Modification Project

California Department of Water Resources

SRF Loan Number: D2001045

Principal Payment: December 31, 2024 to December 31, 2051
Remaining Amount: \$46,800,000
Interest Rates: 0.90%
Purpose: Used to pay project costs associated with the Regional Wastewater Control Facilities Modification Project

- The 2024 Bonds are being issued to refund the outstanding:

Stockton Public Financing Authority

Wastewater Revenue Refunding Bonds, Series 2014 (the "2014 Bonds")

- The 2024 Bonds will be on parity with both the WIFIA Loan and the SRF Loan
- The 2024 Bonds will be amortized over the same remaining term as the 2014 Bonds (no extension)

Estimated Financing Summary (Assumes Market Interest Rates as of May 14)

Outstanding 2014 Bonds ⁽¹⁾	\$29,620,000
Principal Amount of the 2024	\$28,615,000
2014 Bonds Total Debt Service	\$34,211,250
2024 Bonds Total Debt	\$33,038,077
Total Savings	\$1,173,173
Average Annual Savings ⁽²⁾	\$227,225
Net Present Value Savings (\$)	\$1,055,707
Net Present Value Savings (%) ⁽³⁾	3.56%
Final Maturity ⁽⁴⁾	September 1, 2029 (FY 2030)

Notes

- (1) Amount Outstanding After September 1, 2024
 (2) From Fiscal Year 2026 to Fiscal Year 2030
 (3) As a Percentage of the Principal Amount of Bonds Refunded
 (4) Same Final Maturity as the 2014 Bonds (No Extension)

The Resolutions establish a minimum cash flow savings target of \$150,000 per year (FY 2026 to FY 2030) which equates to 2.38% net present value savings. While the transaction currently meets the standards establish in the City's debt policy at > 3.00% net present value savings, the minimum cash flow target would require a waiver from the City's debt policy by utilizing "Section XVI: Exceptions To These Policies":

"The City may find in limited and exceptional instances that a waiver to any of the above stated policies is warranted given identified special City benefits to be derived from such waiver. Such waivers may be granted by the City Manager or CFO with the approval of the City Attorney, if provisions waived are not material, and shall be granted only by action of the City Council if as to material provisions and shall be based upon stated policies as warranted given identified special City benefits to be derived from such specific public purpose, economic and/or health and safety findings."

Estimated Costs of Issuance

Role	Party	Total
Bond / Disclosure Counsel	Hawkins Delafield & Wood LLP	\$52,000.00
Bond Counsel Expenses (NTE)	Hawkins Delafield & Wood LLP	1,500.00
Municipal Advisor	Del Rio Advisors, LLC	62,500.00
Municipal Advisor Expenses (NTE)	Del Rio Advisors, LLC	750.00
Rating Fee	Standard & Poor's Corporation	29,500.00
Trustee (Acceptance Fee)	U.S. Bank	1,000.00
Trustee (Annual Fee)	U.S. Bank	2,750.00
Trustee (Counsel Fee)	U.S. Bank	3,000.00
Escrow Agent	ComputerShare	2,500.00
Printing of Official Statement	TBD	5,000.00
Rounding Adjustment / Miscellaneous	Misc.	<u>15,372.97</u>
Total Estimated Costs		\$178,762.97

Estimated Savings

Date	Prior Debt Service	Refunding Debt Service	Savings
06/30/2025	740,500.00	703,452.08	37,047.92
06/30/2026	6,692,375.00	6,466,625.00	225,750.00
06/30/2027	6,693,250.00	6,466,750.00	226,500.00
06/30/2028	6,695,000.00	6,468,250.00	226,750.00
06/30/2029	6,696,875.00	6,470,375.00	226,500.00
06/30/2030	6,693,250.00	6,462,625.00	230,625.00
	34,211,250.00	33,038,077.08	1,173,172.92

Savings Summary

Savings PV date	09/04/2024
Savings PV rate	3.791273%
PV of savings from cash flow	1,051,944.49
Plus: Refunding funds on hand	3,762.97
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Net PV Savings	1,055,707.46

Proposed 2024 Bonds, Financing Team and Remaining Schedule

Proposed 2024 Bonds

- \$28.615 million public offering
- Proposed same amortization term as the 2014 Bonds (no extension)
- Estimated fixed Costs of Issuance of \$178,762.97
- Estimated Bond Insurance and Surety Premium of \$184,959.23
- Estimated Underwriter's Discount of \$140,213.50 (0.49% of the refunding principal amount)

Financing Team

- Bond / Disclosure Counsel: Hawkins Delafield & Wood LLP
- Municipal Advisor: Del Rio Advisors, LLC
- Co-Underwriters: Hilltop Securities and Oppenheimer & Co. Inc.
- Trustee: U.S. Bank Trust Company, National Association

Proposed Financing Schedule

Date	Action
Tuesday July 9 th	City Council / Authority Board Meeting
Week of July 29 th	Print and Post the Preliminary Official Statement
Wednesday August 14 th	Sell the Bonds
Weeks of August 19 th and August 26 th	Print and Post Final Official Statement Documents Executed
Wednesday September 4 th	Transaction Closes

Documents for Review and Approval

- **2024 Indenture:** An agreement between the Authority and U.S. Bank Trust Company, National Association (“U.S. Bank”) as Trustee. This document governs all the terms and conditions of the 2024 Bonds including the role of U.S. Bank as Trustee, the principal payments along with the interest rates on the individual maturities, the redemption provisions of the 2024 Bonds, establishes the funds and accounts for the 2024 Bonds, establishes the City obligations for continuing disclosure reporting, arbitrage rebate and annual CDIAC reporting, and remedies for bondholders in an event of default.
- **2024 Installment Purchase Contract:** An agreement between the Authority (seller) and the City (purchaser) whereby the City will purchase from the Authority the Wastewater System improvements funded with proceeds of the 2014 Bonds. In exchange, the City agrees to make installment payments to the Authority. The installment payments are equal to the debt service on the 2024 Bonds.
- ***Official Statement (Including the Continuing Disclosure Certificate):*** The Official Statement is the primary document used by the Underwriter to market the 2024 Bonds to investors. The official statement describes the 2024 Bonds in detail and all the information used by investors to make an informed purchase decision. The official statement, in the preliminary form presented, is deemed final pursuant to Rule 15c-2-12 under the Securities Exchange Act of 1934.
- **Bond Purchase Contract:** An agreement between the City, the Authority and the Underwriters, pursuant to which the Underwriters agree to purchase the 2024 Bonds from the Authority, on the terms and conditions set forth therein. It provides certain conditions for closing that must be met prior to the closing and funding of the 2024 Bonds and will be executed on the date of pricing.

Resolutions for Consideration

- **Resolution of the City of Stockton:** This Resolution authorizes the form of and the execution and delivery of an Installment Purchase Contract, Bond Purchase Contract, Continuing Disclosure Certificate and Official Statement all relating to the issuance of the 2024 Bonds and approving certain actions in connection therewith.
- **Resolution of the Stockton Public Financing Authority:** This Resolution authorizes the issuance and sale of the 2024 Bonds in an aggregate principal amount not to exceed \$32,000,000; approves the form of and authorizes the execution and delivery of an Indenture, an Installment Purchase Contract, a Bond Purchase Contract, and an Official Statement all relating to the issuance of the 2024 Bonds and approving certain actions in connection therewith.

The Resolutions also approve the execution of all documents and other actions related to the issuance of the 2024 bonds and that the Chair of the Authority (Mayor), Executive Director of the Authority (City Manager), Treasurer of the Authority (Chief Financial Officer) or their designee be authorized to take appropriate and necessary actions to carry out the purpose and intent of the Resolutions.

Questions and Discussion

