

Meeting Date: 4/04/2012
Agenda Item: #10.3

Mission Statement

To provide our growing dynamic community excellent municipal services to make Fernley a great place to live, work, and play.

Together, we enhance the desirability, safety, friendliness, aesthetics and quality of life in our city.

CITY OF FERNLEY CITY COUNCIL MEETING STAFF REPORT

REPORT TO: Mayor & City Council

REPORT THRU: Fred Turnier, Interim City Manager *FT* REVIEWED BY:

REPORT FROM: Mel Drown, City Treasurer/

AGENDA ITEM: DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING A POSSIBLE REFUNDING OF THE 2007 AND 2008 GENERAL OBLIGATION WATER AND SEWER BONDS

ACTION REQUESTED: Consent Ordinance Resolution Motion Receive/File

POLICY ISSUE

Should the City Council authorize the refinancing of the 2007 and 2008 General Obligation Water and Sewer Bonds to lower debt service costs in the early years of the refunding to provide the opportunity to develop and implement a long term solution for payment of principal and interest on said bonds.

RECOMMENDED ACTION BY CITY COUNCIL

City staff recommends the City Council authorize staff to pursue a refunding of the 2007 and 2008 General Obligation Water and Sewer Bonds. If the City Council is in favor of this policy recommendation, the following motion may be made:

"I move to authorize staff to pursue the refinancing plan and return to the Council with final details and savings estimates."

POLICY ALTERNATIVE(S)

The City Council could take the following alternative actions:

- Deny the refinancing of the City Hall Financing.

STRATEGIC PLAN RELEVANCE:

Economic Vitality:	<u>Yes</u>
Accountable/Efficient Gov't:	<u>Yes</u>
Enhance Gov't Partnerships:	<u>No</u>
Quality of Life :	<u>Yes</u>

STRATEGIC PLAN SYNOPSIS:

The refunding would extend debt service costs for the 2007 & 2008 GO Bonds, thus allowing for a long term solution for payment of debt service on the refunded bonds.

POLICY REFERENCE

Nevada Statutes: NRS XXX.XXX

Fernley Municipal Code: F.M.C. XX.XX.XX

Policies & Procedure Manual: policy number and title

Community Assessment: N/A

Other: N/A

SUMMARY

Background

The City of Fernley issued General Obligation Water and Sewer Bonds in the amount of \$50,000,000 in 2007 and 32,600,000 in 2008. The proceeds of the bonds were to be used for the construction of a water treatment plant and associated infrastructure. The need for the treatment plant became necessary as a result of a requirement to lower arsenic levels in the drinking water. The standard is mandated under the Federal Standards for Safe Drinking Water. The Water Utility Fund now finds itself in a position of being unable to meet debt service requirements unless structural changes are made to the revenue streams of the Water Utility fund.

The Refinancing Plan

If the Council directs staff to move forward, staff will work with the City’s Financial Advisor (JNA Consulting Group) and Bond Counsel (Swendseid & Stern) to bring the proposed refunding to Council at the earliest possible date with a resolution. This resolution would set forth the terms of conditions of the refunding and authorize the award of the refunding.

The refunding would allow for a timely and orderly transition for providing a long solution for providing the necessary funding for the repayment of the bond debt

FINANCIAL INFORMATION

<p><u>FISCAL IMPACT:</u></p> <ol style="list-style-type: none"> 1. Is There A Fiscal Impact? <u>Yes</u> 2. Is it Currently Budgeted? <u>No</u> 3. If Budgeted, Which General Ledger? <u>n/a</u> 	<p><u>FISCAL SYNOPSIS:</u> Refunding the bonds could add as much as 12-15 million in additional debt payments</p>
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PRIOR COUNCIL ACTION/REVIEW

None.

BACKGROUND INFORMATION

This information in this staff report is provided as one of the possible solutions under consideration to resolve the water bond debt issue.

ATTACHED INFORMATION

1. Debt Service Comparison
2. Tentative issuance schedule

City of Fernley, Nevada
 Water and Sewer Refunding Bonds, Series 2012
 Debt Service Savings and Summary Schedule

Issue Summary	
Dated Date	07/01/2012
Delivery Date	07/01/2012
Par Amount	\$13,965,000
Refunded Par	\$12,275,000
Avg Annual Savings	(\$501,774)
Total Savings	(\$14,551,456)
Present Value Savings	(\$1,983,580)
% of Refunding Par	-14.204%
% of Refunded Par	-16.160%
Net Underwriter's Spread	1.000%
Total Costs as % of Par	3.291%
TIC	4.66277%
Bond Yield	4.58791%
Arbitrage Yield	4.58791%
Escrow Yield	0.56694%
Average Life	22.37
Estimated Neg(Pos) Arbitrage	\$1,273,338

Sources		Uses	
Par Amount	\$13,965,000.00	Restricted Escrow	\$13,828,929.00
Original Issue Prem/(Disc)	325,156.30	Initial Escrow Deposit	275,767.50
Debt Service Fund	275,762.50	Unrestricted Escrow	0.00
Accrued Interest	<u>0.00</u>	Underwriting	139,650.00
Total	\$14,565,918.80	Insurance	0.00
		Reserve Fund Surety	0.00
		Issuance Costs	320,000.00
		Accrued Interest	0.00
		Miscellaneous	<u>1,572.30</u>
		Total	\$14,565,918.80

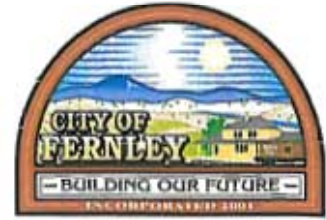
City of Fernley, Nevada
Water and Sewer Refunding Bonds, Series 2012
Debt Service Savings and Summary Schedule

Date	Principal	Rate	Interest	Annual Debt Service	Refunded Debt Service	Cashflow Savings
07/01/2012						
02/01/2013	0	1.180%	351,451.63	351,451.63	1,950,762.50	1,599,310.88
08/01/2013			301,244.25			
02/01/2014	130,000	1.260%	301,244.25	732,488.50	2,233,000.00	1,500,511.50
08/01/2014			300,425.25			
02/01/2015	390,000	1.420%	300,425.25	990,850.50	2,241,775.00	1,250,924.50
08/01/2015			297,656.25			
02/01/2016	655,000	1.520%	297,656.25	1,250,312.50	2,251,750.00	1,001,437.50
08/01/2016			292,678.25			
02/01/2017	110,000	1.680%	292,678.25	695,356.50	1,446,750.00	751,393.50
08/01/2017			291,754.25			
02/01/2018	360,000	1.950%	291,754.25	943,508.50	1,447,250.00	503,741.50
08/01/2018			288,244.25			
02/01/2019	620,000	2.210%	288,244.25	1,196,488.50	1,449,750.00	253,261.50
08/01/2019			281,393.25			
02/01/2020	885,000	2.490%	281,393.25	1,447,786.50	1,449,000.00	1,213.50
08/01/2020			270,375.00			
02/01/2021	0	2.700%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2021			270,375.00			
02/01/2022	0	2.870%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2022			270,375.00			
02/01/2023	0	2.980%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2023			270,375.00			
02/01/2024	0	3.080%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2024			270,375.00			
02/01/2025	0	3.170%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2025			270,375.00			
02/01/2026	0	3.280%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2026			270,375.00			
02/01/2027	0	3.370%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2027			270,375.00			
02/01/2028	0	3.460%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2028			270,375.00			
02/01/2029	0	3.550%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2029			270,375.00			
02/01/2030	0	5.000%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2030			270,375.00			
02/01/2031	0	5.000%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2031			270,375.00			
02/01/2032	0	5.000%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2032			270,375.00			
02/01/2033	0	5.000%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2033			270,375.00			
02/01/2034	0	5.000%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2034			270,375.00			
02/01/2035	0	5.000%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2035			270,375.00			
02/01/2036	0	5.000%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2036			270,375.00			
02/01/2037	0	5.000%	270,375.00	540,750.00	0.00	(540,750.00)
08/01/2037			270,375.00			
02/01/2038	2,305,000	5.000%	270,375.00	2,845,750.00	0.00	(2,845,750.00)
08/01/2038			212,750.00			
02/01/2039	2,700,000	5.000%	212,750.00	3,125,500.00	0.00	(3,125,500.00)
08/01/2039			145,250.00			
02/01/2040	2,835,000	5.000%	145,250.00	3,125,500.00	0.00	(3,125,500.00)
08/01/2040			74,375.00			
02/01/2041	2,975,000	5.000%	74,375.00	3,123,750.00	0.00	(3,123,750.00)
	13,965,000		15,056,493.13	29,021,493.13	14,470,037.50	(14,551,455.63)
					Net Savings	(14,551,455.63)

City of Fernley, Nevada
Water and Sewer Refunding Bonds, Series 2012
Total Debt Service Comparison

Date	Outstanding Debt Service	Refunded Debt Service	Refunding Debt Service	Revised Debt Service	Difference
02/01/2013	4,715,066	(1,950,763)	351,452	3,115,755	(1,599,311)
02/01/2014	4,720,692	(2,233,000)	732,489	3,220,181	(1,500,512)
02/01/2015	4,728,503	(2,241,775)	990,851	3,477,578	(1,250,925)
02/01/2016	4,737,324	(2,251,750)	1,250,313	3,735,887	(1,001,438)
02/01/2017	4,723,549	(1,446,750)	695,357	3,972,155	(751,394)
02/01/2018	4,715,234	(1,447,250)	943,509	4,211,492	(503,742)
02/01/2019	4,714,877	(1,449,750)	1,196,489	4,461,616	(253,262)
02/01/2020	4,715,132	(1,449,000)	1,447,787	4,713,918	(1,214)
02/01/2021	4,710,023	0	540,750	5,250,773	540,750
02/01/2022	4,707,768	0	540,750	5,248,518	540,750
02/01/2023	4,704,135	0	540,750	5,244,885	540,750
02/01/2024	4,699,954	0	540,750	5,240,704	540,750
02/01/2025	4,711,469	0	540,750	5,252,219	540,750
02/01/2026	4,725,759	0	540,750	5,266,509	540,750
02/01/2027	4,727,340	0	540,750	5,268,090	540,750
02/01/2028	4,739,504	0	540,750	5,280,254	540,750
02/01/2029	4,745,350	0	540,750	5,286,100	540,750
02/01/2030	4,743,832	0	540,750	5,284,582	540,750
02/01/2031	4,735,087	0	540,750	5,275,837	540,750
02/01/2032	4,728,176	0	540,750	5,268,926	540,750
02/01/2033	4,713,589	0	540,750	5,254,339	540,750
02/01/2034	4,716,956	0	540,750	5,257,706	540,750
02/01/2035	4,721,618	0	540,750	5,262,368	540,750
02/01/2036	4,727,154	0	540,750	5,267,904	540,750
02/01/2037	4,728,535	0	540,750	5,269,285	540,750
02/01/2038	1,863,784	0	2,845,750	4,709,534	2,845,750
02/01/2039	0	0	3,125,500	3,125,500	3,125,500
02/01/2040	0	0	3,125,500	3,125,500	3,125,500
02/01/2041	0	0	3,123,750	3,123,750	3,123,750

\$ _____ (estimated)
City of Fernley, Nevada
General Obligation (Limited Tax)
Additionally Secured by Pledged Revenues
Water and Sewer Refunding Bonds
Series 2012



SAMPLE Project Schedule

Date	Activity
05/02/12	City Council (the "Council") approves Refunding Plan <i>The Refunding Plan includes desired debt service structure and resulting water rates</i>
05/21/12	Meeting with State Treasurer's Office regarding use of Bond Bank Program <i>The State issues GO Bonds and wants to be sure the local bonds will be paid</i>
06/06/12	Council adopts Bond Bank Request Resolution <i>This resolution requests the State to issue bonds and begin the process</i>
07/10/12	Board of Finance adopts Sale Resolution and authorizes Judicial Confirmation <i>Bond Bank bonds must be judicially confirmed before they can be issued</i>
07/17/12	Begin Judicial Confirmation Process <i>This process consists of publications and a court hearing over 6-8 weeks</i>
08/01/12	Council adopts Water Rate Ordinance <i>This ordinance will set rates that will provide for the repayment of the new bonds</i>
08/30/12	Judicial Confirmation process complete
09/11/12	Board of Finance adopts Bond Resolution <i>This resolution allows the State bonds to be issued</i>
09/19/12	Council adopts Bond Ordinance <i>This resolution allows for the issuance of the City's bonds which the State buys</i>
09/26/12	State Bond Sale <i>At this point the interest rates are locked in and the bond payments are set</i>
10/17/12	Closing <i>The proceeds of the bonds are placed in an escrow to pay the refunded bonds</i>

Notes:

- The Board of Finance has scheduled meetings on the 2nd Tuesday every other month (next meeting is May 8th)
- Due to agenda deadlines and timing beyond the City and State's control the steps after the Judicial Confirmation process starts could easily slip and the bonds wouldn't be sold until November 2012
- The City authorizes a maximum amount of bonds to issue and can issue any amount up to that amount