



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



DATE: May 31, 2013
BOARD MEETING DATE: June 18, 2013
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: John L. Maltbie, County Manager

SUBJECT: The Issuance of up to \$50 Million of 2013 Lease Revenue Bonds to refund all or a portion of outstanding Series 1997, 1999 and 2001 Bonds and finance construction of Skylonda Fire Station

RECOMMENDATION:

Adopt a Resolution:

1. Approving the issuance by the San Mateo County Joint Powers Financing Authority of Not to Exceed \$50 million aggregate principal amount of Lease Revenue Bonds (Capital Projects) to finance capital improvements to certain fire stations within the county and the refunding of all or a portion of the outstanding Lease Revenue Bonds;
2. Authorizing the forms of and directing the execution and delivery of a seventh supplemental trust agreement, fifth amendment to site and facility lease, bond purchase contract, a continuing disclosure agreement and an official statement;
3. Authorizing a lease financing with the San Mateo County Joint Powers Financing Authority; and
4. Approving the taking of all necessary actions in connection therewith.

BACKGROUND:

The County requested and received proposals from several firms to refund existing lease revenue bonds to generate ongoing reductions in annual debt service payments, and to finance replacement of the Skylonda Fire Station. The analysis demonstrated present value savings of approximately 8.32% of the refunded par amount on a total refunding of \$39 million, resulting in total annual savings of approximately \$207,000

The Financing Team includes Barclays Capital as the senior manager, Raymond James as co-manager, Orrick Herrington & Sutcliffe as bond counsel, Sidley Austin LLP as underwriter's disclosure counsel, Mark Epstein of California Financial Services as Financial Advisor, and US Bank to provide trustee services.

DISCUSSION:

It is recommended that \$39 million in outstanding 1997, 1999 and 2001 bonds be refunded. Given the County's strong credit ratings, healthy reserves, and sound financial

policies, it is anticipated that the County's bonds will fair well in the current market, with total projected savings of approximately \$4.1 million over the next 20 years.

Under the terms of the Bond Purchase Contract, the interest rate on the Bonds shall not exceed a true interest cost of 5.00% per annum, the underwriting discount shall not exceed 1.00% of the principal amount of Bonds sold, and the refunding must result in net present value savings of at least 3.00% of the principal amount of the refunding bonds. Under the proposed structure, the bonds would be redeemable within 10 years from the date of issuance.

The San Mateo County Joint Powers Financing Authority reviewed and approved the refunding parameters at a Special Meeting on May 8.

This Board action contributes to this Shared Vision 2025 outcome of a Collaborative Community by reducing the County's long-term borrowing costs as well as the County's structural budget deficit.

FISCAL IMPACT:

Long-term savings from the refunding of approximately \$4.1 million will be generated over the next 20 years, resulting in reductions in debt service charged to the appropriate departments. Debt service payments for the Skylonda Fire Station will be included in the Structural Fire Fund budget.

ATTACHMENTS

1. Preliminary Official Statement
2. Bond Purchase Contract
3. Continuing Disclosure Agreement
4. Fifth Amendment to Master Site Lease
5. Fifth Amendment to Master Facility Lease
6. Seventh Supplemental Trust Agreement

