



COUNTY OF SAN MATEO

County Manager/Clerk of the Board



DATE: December 1, 2015

BOARD MEETING DATE: December 8, 2015

SPECIAL NOTICE/HEARING: None

VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: John L. Maltbie, County Manager

SUBJECT: Resolution Authorizing the Issuance of up to \$135 Million of 2016 Lease Revenue Refunding Bonds to refinance all of the outstanding Youth Services Campus, 2008 Series A Bonds.

RECOMMENDATION:

Adopt a Resolution:

1. Approving the issuance and sale by the San Mateo County Joint Powers Financing Authority ("Authority") of not to exceed \$135 million aggregate principal amount of Refunding Lease Revenue Bonds (Youth Services Campus), 2016 Series A, for the refinancing of the Authority's Lease Revenue Bonds (Youth Services Campus), 2008 Series A;
2. Approving the form of and distribution of an official statement for such bonds;
3. Authorizing the forms of and directing the execution and delivery of a trust agreement, an escrow agreement, an amended and restated facility lease, an amended and restated site lease, a bond purchase contract, and related financing documents; and
4. Authorizing the taking of all necessary actions relating to the refinancing of the Series 2008 Bonds.

BACKGROUND:

During this past summer the County received proposals from Raymond James and Citigroup to refund the outstanding Youth Services Campus lease revenue bonds. The refunding will generate substantial savings and reduce annual debt service payments. The current analysis demonstrates savings of approximately 9.0% on a refunding of \$120.8 million in outstanding lease revenue bonds, resulting in gross savings of \$12.1 million and present value savings of \$10.9 million.

DISCUSSION:

Based on the analysis provided by both firms, and in consultation with the County's Financial Advisor, staff recommends that all outstanding Youth Services Campus, 2008 Series A 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 fare well in the current market, with average annual savings of \$578,122 over the next 21 years.

Under the terms of the Bond Purchase Contract, the interest rate on the Bonds shall not exceed a true interest cost of 4.0% per annum, the underwriting discount shall not exceed 0.6% of the principal amount of Bonds sold, and the refunding must result in net present value savings of at least 5.0% of the principal amount of the refunding bonds. Under the proposed structure, the final maturity date will remain July 15, 2036, the same maturity date as the 2008 Series A Bonds.

The 2016 refunding bonds will be structured to produce level annual savings. The current cash reserve held for the 2008 bonds of \$9.4 million will be released and poured back into the 2016 refunding, which will result in fewer bonds being issued and lower debt service payments over time.

The Financing Team includes Raymond James as the senior manager, Citigroup as co-manager, Orrick Herrington & Sutcliffe as bond counsel, Sidley Austin LLP as disclosure counsel, Schiff Hardin as underwriter's counsel, Mark Epstein of California Financial Services as Financial Advisor, and US Bank as Trustee.

The San Mateo County Joint Powers Financing Authority reviewed and approved the refunding parameters at a Special Meeting on Wednesday, November 18, 2015, and, if the County approves the transaction, will authorize the issuance of its bonds on December 9th.

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

FISCAL IMPACT:

The refunding of the 2008 Series A Bonds will result in long-term gross savings of approximately \$12 million over the next 21 years, resulting in reductions in debt service charged to the appropriate departments.

ATTACHMENTS

Preliminary Official Statement – (Youth Services Campus), 2016 Series A (including Continuing Disclosure Agreement)
Trust Agreement
Escrow Agreement
Amended and Restated Facility Lease
Amended and Restated Site Lease
Bond Purchase Contract