



## REPORT TO CITY COUNCIL

**DATE:** SEPTEMBER 14, 2016

**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

**FROM:** GREG RAMIREZ, CITY MANAGER 

**BY:** CHRISTY PINUELAS, DIRECTOR OF FINANCE 

**SUBJECT:** REFUNDING LEASE REVENUE BONDS SERIES 2017

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In 2007, the City refunded the series 1999 bonds. These bonds are currently outstanding until 2042, with interest rates between 4% and 4.375%. The current debt service payments are \$666,000 annually. The bonds have a ten-year call date. The City now has an opportunity to refund the 2007 bonds in 2017. The Finance Committee met to discuss the potential bond refunding and recommended that we proceed with the refunding as long as the savings is at least 3%.

Interest rates have dropped substantially and are now at an average of 3.1%. If the City refunds the outstanding bonds with the same amount of debt outstanding and the same repayment timeframe, the payment would drop to \$585,388 annually. This would save approximately \$80,000 annually, or \$1.6 million (net of costs) over the course of the bonds. This represents a 15.8% savings to the citizens of Agoura Hills over the life of the bonds. No additional funds would be taken out and the payment term would not be extended.

The City's current Debt Management Policy does not address the specifics of when a refunding would be considered. However, our Financial Advisor suggested that it would be prudent as long as the City was saving up to \$500,000 net of costs or 3%. The City could determine that if the savings goes below 3%, the bonds would not be refinanced.

By agreeing to refinance the existing bonds, the City will incur immediate costs for the printing, rating or escrow verifications, and attorney costs. If interest rates rise, and the City decides not to do the refinancing, we could be liable for as much as \$25,000 in costs.

Our Financial Advisor has agreed to waive fees if the savings are unacceptable (below 3%) and the deal is therefore cost prohibitive. Interest rates would have to rise quickly, and our Financial Advisor feels this is unlikely.

The next review of interest rates by the Feds is September 20 and 21, 2016 followed by November 1 and 2. However, even a quarter percent rise in rates should not affect our ability to save money.

Our current Debt Management Policy states that debt service should be no more than 10% of General Fund revenues. Our current debt service is budgeted at 6.1% for 2016/17 but would be lowered to 5.6% with the refunding.

The bonds are eligible to be refinanced in early November, 2016. This means that the process should begin in mid-August.

Attached is a suggested timeframe for the refinancing, and a repayment schedule, showing the anticipated savings.

### **RECOMMENDATION**

It is recommended the City proceed with the lease revenue bonds 2017 refunding, as long as the savings are at least three percent. It is further recommended that the City Council authorize costs up to \$30,000 incurred for the refunding, if the refunding savings fall below three percent.

Attachment

# City of Agoura Hills Public Financing Authority

## Refunding Lease Revenue Bonds, Series 2016

Time & Responsibility Schedule

(As of Aug 18, 2016)

AUGUST						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

SEPTEMBER						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

OCTOBER						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

NOVEMBER						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

DECEMBER						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

DATE	ACTIVITY	RESPONSIBLE PARTY
Aug 18	Kick Off Call	ALL
Aug 30	First Draft of Legal Documents; Check Leased Property Valuations; Order Preliminary Title Report; Retain Continuing Disclosure Consultant for 5 year Report	BC/FA/I
Sept 1	Conference Call -11 AM; confirm if property substitution is workable.	ALL
Sept 7	Second Draft of Legal Documents; First Draft of POS;	BC/DC
Sept 12	Conference Call – 1 PM	ALL
Sept 15	Third Draft of Legal Documents; Second Draft of POS;	BC/DC
Sept 19	Conference Call – 3 PM	ALL
Sept 21	Third Draft of POS	BC/DC
Sept 21	Rating Application Submitted	FA
Sept 22	Conference Call – PM; First Draft of Bond Rating Presentation; Review POS	ALL
Oct 4	Agenda Deadline for Final Documents	BC
Oct 5	Rating Call - TBD	ALL
Oct 12	Council Approval of Documents and Issuance;	I
Oct 13	Receive Rating; POST POS;	I/BC

