

POSSIBLE MOTION

I MOVE TO approve Resolution 2016-15 on
first and final reading.

Memo

Thru : Mark Gorman, Municipal Administrator

To: City and Borough of Sitka Assembly

From: Jay Sweeney, Chief Financial and Administrative Officer 

Date: September 7, 2016

Re: Refinancing of Final Two maturities of 2007 General Obligation School Bonds

Mayor McConnell and Assembly Members,

The City and Borough of Sitka has been presented an opportunity by the Alaska Municipal Bond Bank Authority to refinance the final two maturities of its 2007 General Obligation School Bonds (Alaska Municipal Bond Bank Authority Series 2007-1). The maturities to be refinanced are \$795,000 due December 1, 2017 and \$830,000 due December 1, 2018, a total of \$1,625,000.

At present, remaining debt service these \$1,625,000 of outstanding bonds is \$1,775,796.89 (page 46 of attached Preliminary Sources and Uses of Funds). The proposed new debt service through refunding would be \$1,702,572.33, a savings of \$73,223.56. Please note that while \$1,635,000 in new bonds will be issued, the associated interest rates on these new bonds are so low as to produce a sizeable savings.

At the present time, given the line item vetoes implemented by Governor Walker on the FY2017 budget, only 50% of the debt service on General Obligation School bonds is reimbursable by the State of Alaska. Accordingly, \$36,611.78 of true savings will accrue to the City and Borough of Sitka.

School bond debt is paid for primarily through the proceeds of the seasonal 1% sales tax. As I have spoken to previously, the reduction of the reimbursement rate of school bond debt to 50% by the State of Alaska, if it continues, will cause the City and Borough of Sitka to exhaust the surplus in the School Bond Debt Service Fund, built up over past years, in FY2018, resulting in General Fund revenues being used to make up any shortfalls. Approving this refinancing will reduce the amount of potential shortfalls that need to be made up if the balance in the School Bond Debt Service Fund is exhausted.

Finally, over 20 Municipalities statewide are participating in this refinancing. All that is required for Sitka to participate is passage of the accompanying Resolution. No Municipal staff will be required to travel for bond proceedings.

I recommend passage of the accompanying Resolution.

SOURCES AND USES OF FUNDS

City and Borough of Sitka -- Refund GO 2007-1
 Alaska Municipal Bond Bank
 GO Bonds 2016 Series Three & Four
 Market Conditions as of August 10, 2016

Dated Date 11/03/2016
 Delivery Date 11/03/2016

Sources:

Bond Proceeds:	
Par Amount	1,635,000.00
Premium	46,735.60
	1,681,735.60

Uses:

Refunding Escrow Deposits:	
Cash Deposit	0.01
SLGS Purchases	1,662,522.00
	1,662,522.01

Cost of Issuance:	
Fitch Rating	459.61
S&P Rating	459.61
AMBB Costs	306.41
Miscellaneous Printing, etc.	114.90
Trustee/Escrow Agent	42.90
AMBB FA	523.50
AMBB BC	2,512.81
Verification Agent	79.82
Borrower Costs of Issuance	7,000.00
	11,499.56

Delivery Date Expenses:	
Underwriter's Discount	5,722.50

Other Uses of Funds:	
Additional Proceeds	1,991.53
	1,681,735.60

BOND PRICING

City and Borough of Sitka -- Refund GO 2007-1
 Alaska Municipal Bond Bank
 GO Bonds 2016 Series Three & Four
 Market Conditions as of August 10, 2016

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Premium (-Discount)
2016-3 Serial Bonds (Non-AMT):						
	12/01/2016	35,000	2.000%	0.680%	100.102	35.70
	12/01/2017	790,000	2.000%	0.730%	101.360	10,744.00
	12/01/2018	810,000	3.000%	0.840%	104.439	35,955.90
		1,635,000				46,735.60

Dated Date	11/03/2016	
Delivery Date	11/03/2016	
First Coupon	12/01/2016	
Par Amount	1,635,000.00	
Premium	46,735.60	
Production	1,681,735.60	102.858446%
Underwriter's Discount	-5,722.50	-0.350000%
Purchase Price	1,676,013.10	102.508446%
Accrued Interest		
Net Proceeds	1,676,013.10	

BOND DEBT SERVICE

City and Borough of Sitka -- Refund GO 2007-1
 Alaska Municipal Bond Bank
 GO Bonds 2016 Series Three & Four
 Market Conditions as of August 10, 2016

Dated Date 11/03/2016
 Delivery Date 11/03/2016

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2016	35,000	2.000%	3,173.33	38,173.33	
06/01/2017			20,050.00	20,050.00	
06/30/2017					58,223.33
12/01/2017	790,000	2.000%	20,050.00	810,050.00	
06/01/2018			12,150.00	12,150.00	
06/30/2018					822,200.00
12/01/2018	810,000	3.000%	12,150.00	822,150.00	
06/30/2019					822,150.00
	1,635,000		67,573.33	1,702,573.33	1,702,573.33

SUMMARY OF REFUNDING RESULTS

City and Borough of Sitka -- Refund GO 2007-1
 Alaska Municipal Bond Bank
 GO Bonds 2016 Series Three & Four
 Market Conditions as of August 10, 2016

Dated Date	11/03/2016
Delivery Date	11/03/2016
Arbitrage yield	2.113017%
Escrow yield	0.251166%
Value of Negative Arbitrage	2,558.51
Bond Par Amount	1,635,000.00
True Interest Cost	1.027341%
Net Interest Cost	1.046846%
Average Coupon	2.663338%
Average Life	1.552
Par amount of refunded bonds	1,625,000.00
Average coupon of refunded bonds	4.616499%
Average life of refunded bonds	1.589
PV of prior debt to 11/03/2016 @ 1.027341%	1,748,204.84
Net PV Savings	74,183.27
Percentage savings of refunded bonds	4.565124%
Percentage savings of refunding bonds	4.537203%

SAVINGS

City and Borough of Sitka -- Refund GO 2007-1
 Alaska Municipal Bond Bank
 GO Bonds 2016 Series Three & Four
 Market Conditions as of August 10, 2016

Date	Prior Debt Service	Refunding Debt Service	Savings	Annual Savings	Present Value to 11/03/2016 @ 1.0273407%
12/01/2016	37,453.13	38,173.33	-720.20		-719.63
06/01/2017	37,453.13	20,050.00	17,403.13		17,300.40
06/30/2017				16,682.93	
12/01/2017	832,453.13	810,050.00	22,403.13		22,157.07
06/01/2018	19,218.75	12,150.00	7,068.75		6,955.38
06/30/2018				29,471.88	
12/01/2018	849,218.75	822,150.00	27,068.75		26,498.52
06/30/2019				27,068.75	
	1,775,796.89	1,702,573.33	73,223.56	73,223.56	72,191.74

Savings Summary

PV of savings from cash flow	72,191.74
Plus: Refunding funds on hand	1,991.53
Net PV Savings	<u>74,183.27</u>

SUMMARY OF BONDS REFUNDED

City and Borough of Sitka -- Refund GO 2007-1
 Alaska Municipal Bond Bank
 GO Bonds 2016 Series Three & Four
 Market Conditions as of August 10, 2016

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
GO 2007-1 (City and Borough of Sitka), 07_1SI:					
SERIAL	12/01/2017	5.000%	420,000.00	12/03/2016	100.000
	12/01/2017	4.125%	375,000.00	12/03/2016	100.000
	12/01/2018	4.125%	350,000.00	12/03/2016	100.000
	12/01/2018	5.000%	480,000.00	12/03/2016	100.000
			1,625,000.00		

UNREFUNDED BOND DEBT SERVICE

City and Borough of Sitka -- Refund GO 2007-1
Alaska Municipal Bond Bank
GO Bonds 2016 Series Three & Four
Market Conditions as of August 10, 2016

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2016 06/30/2017	755,000	5.000%	18,875	773,875	773,875
	755,000		18,875	773,875	773,875

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2016-15

A RESOLUTION of the Assembly of the City and Borough of Sitka, Alaska, approving the City’s participation in a proposed refinancing by the Alaska Municipal Bond Bank of its General Obligation Bonds, 2007 Series One, which provided funds to purchase the City’s General Obligation Refunding Bond, 2007; authorizing the issuance to the Bond Bank of a refunding bond of the City if the Bond Bank successfully refinances its bonds; and authorizing the City’s Chief Finance and Administrative Officer to enter into an agreement with the Bond Bank to accomplish the refunding.

WHEREAS, the City and Borough of Sitka, Alaska (the “City”), issued and sold its General Obligation Bond, 1999, in the original principal amount of \$11,000,000 (the “1999 Bond”), to the Alaska Municipal Bond Bank (the “Bond Bank”), as authorized by Ordinance No. 99-1525 and Resolution No. 99-731 of the City (the “1999 Bond Legislation”), on the terms and conditions set forth in the 1999 Bond Legislation and in a loan agreement between the City and the Bond Bank dated as of April 1, 1999 (the “Original Loan Agreement”); and

WHEREAS, the Bond Bank issued and sold its General Obligation Bonds, 1999 Series A (the “1999 Bond Bank Bonds”), to provide funds to purchase the 1999 Bond, as provided in the Original Loan Agreement; and

WHEREAS, Section 6 of the Original Loan Agreement provides that the debt service schedule for the 1999 Bond may be revised from time to time if the Bond Bank is able to achieve debt service savings by refinancing its bonds; and

WHEREAS, in 2006, Resolution No. 2006-31 of the City authorized the refinancing of the 1999 Bond to achieve debt service savings for the City if the Bond Bank successfully refinanced the 1999 Bond Bank Bonds; and

WHEREAS, the Bond Bank issued its General Obligation Refunding Bonds, 2007 Series One (the “2007 Bond Bank Bonds”), in an advance refunding, to refinance the 1999 Bond Bank Bonds, and in connection with the issuance of the 2007 Bond Bank Bonds, the City and the Bond Bank entered into an amendatory loan agreement dated as of January 1, 2007 (the “2007 Amendatory Loan Agreement”), in accordance with the Original Loan Agreement and as authorized by Resolution No. 2006-31, under which the City and the Bond Bank agreed to a revised debt service schedule; and

WHEREAS, as further authorized by Resolution No. 2006-31, the revised debt service schedule agreed to in the 2007 Amendatory Loan Agreement was set forth in the City’s General

46 Obligation Refunding Bond, 2007, in the original principal amount of \$8,285,000 (the “2007
47 Bond”), issued to the Bond Bank in exchange for the 1999 Bond; and
48

49 **WHEREAS**, the Bond Bank now wishes to refinance the 2007 Bond Bank Bonds to
50 achieve debt service savings for borrowers including the City by issuing a series of its general
51 obligation bonds (the “2016 Bond Bank Bonds”) to currently refund the outstanding 2007 Bond
52 Bank Bonds; and
53

54 **WHEREAS**, the Assembly wishes to approve the City’s participation in this refinancing
55 and, if the Bond Bank successfully refinances the 2007 Bond Bank Bonds, to authorize the City’s
56 Chief Finance and Administrative Officer to accept a revised debt service schedule for the 2007
57 Bond, to be evidenced in a refunding bond issued to the Bond Bank in exchange for the 2007
58 Bond;
59

60 **NOW, THEREFORE, BE IT RESOLVED** by the Assembly of the City and Borough of
61 Sitka, Alaska, as follows:
62

63 Section 1. Approval of Refinancing. The Assembly hereby approves the City’s
64 participation in the Bond Bank’s refinancing of the 2007 Bond Bank Bonds and authorizes the
65 Chief Finance and Administrative Officer to approve a revised schedule of principal payment
66 amounts and interest rates for the 2007 Bond, in accordance with Section 6 of the Original Loan
67 Agreement, so long as the revised debt service schedule is financially advantageous to the City.
68 The revised schedule of debt service on the 2007 Bond and other provisions as may be required
69 by the Bond Bank will be set forth in a loan agreement or amendatory loan agreement (the “2016
70 Loan Agreement”) and in a refunding bond (the “2016 Refunding Bond”) to be issued to the Bond
71 Bank in exchange for the 2007 Bond.
72

73 The Chief Finance and Administrative Officer or his designee is authorized to execute and
74 deliver the 2016 Loan Agreement on behalf of the City and to deliver the 2016 Refunding Bond,
75 executed in accordance with the provisions of the 1999 Bond Legislation and this resolution, as
76 applicable, to the Bond Bank in exchange for the 2007 Bond. The Chief Finance and
77 Administrative Officer and other appropriate officers and employees of the City are also hereby
78 authorized to provide financial information about the City that the Bond Bank may require for the
79 official statement for the 2016 Bond Bank Bonds.
80

81 Section 2. Tax Covenants; Tax Certificate. The City covenants to undertake all actions
82 required to maintain the tax-exempt status of interest on the 2016 Refunding Bond under
83 Section 103 of the Internal Revenue Code of 1986, as amended.

84 Upon the issuance of the 2016 Refunding Bond, the Chief Financial and Administrative
85 Officer is authorized to execute a federal tax certificate (the "Tax Certificate"), which will certify
86 to various facts and representations concerning the 2016 Refunding Bond, based on the facts and
87 estimates known or reasonably expected on the date of its issuance, and make certain covenants
88 with respect to the 2016 Refunding Bond as may be necessary or desirable to obtain or maintain
89 the benefits conferred under the Code relating to tax-exempt bonds.
90

91 The City covenants that it will comply with the Tax Certificate unless it receives advice
92 from nationally recognized bond counsel or the Internal Revenue Service that certain provisions
93 have been amended or no longer apply to the 2016 Refunding Bond.
94

95 Section 3. General Authorization. The Mayor, Chief Finance and Administrative
96 Officer, Clerk, Attorney, and any other appropriate officers, agents, attorneys and employees of
97 the City are each hereby authorized and directed to cooperate with the Bond Bank and to take such
98 steps, do such other acts and things, and execute such letters, certificates, agreements, papers,
99 financing statements, assignments or instruments as in their judgment may be necessary,
100 appropriate or desirable to carry out the terms and provisions of, and complete the transactions
101 contemplated by, this resolution.
102

103 Section 4. Prior Acts. Any and all acts heretofore taken by officers, agents, attorneys
104 and employees of the City in connection with refinancing the 2007 Bond and issuing the 2016
105 Bond are hereby ratified and confirmed.
106

107 Section 5. Effective Date. This resolution will take effect immediately upon its
108 adoption.
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110 **PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and Borough of
111 Sitka, Alaska this 13th day of September, 2016.
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113
114
115

116 By _____
117 Mim McConnell, Mayor
118

119 ATTEST:
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121
122

123 _____
124 Sara Peterson, CMC
125 Municipal Clerk
126

CLERK'S CERTIFICATE

I, the undersigned, Clerk of the City and Borough of Sitka, Alaska (the "City"), and keeper of the records of the Assembly (the "City"), DO HEREBY CERTIFY:

1. That the attached resolution (the "Resolution") is a true and correct copy of Resolution No. 2016-15 of the City, as adopted at a regular meeting of the Assembly held on September 13, 2016, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum was present throughout the meeting and a legally sufficient number of members of the Assembly voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been fully fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this September __, 2016.

Clerk
City and Borough of Sitka, Alaska