

Council Agenda Report

Date: March 28, 2016
Prepared by: Ginger Heatwole, Finance Director
Submitted by: Sandra Tripp-Jones, City Manager

SUBJECT: Bond Refunding

Recommendation that Council adopt A RESOLUTION OF THE COMMISSIONERS OF CAMBRIDGE (THE "CITY") AUTHORIZING THE ISSUANCE AND SALE OF A SERIES OF ITS GENERAL OBLIGATION BONDS IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED ELEVEN MILLION DOLLARS (\$11,000,000.00) PURSUANT TO THE AUTHORITY OF SECTIONS 19-301 TO 19-309, INCLUSIVE, OF THE LOCAL GOVERNMENT ARTICLE OF THE ANNOTATED CODE OF MARYLAND (THE "ENABLING ACT"), SECTION 19-207 OF THE LOCAL GOVERNMENT ARTICLE OF THE ANNOTATED CODE OF MARYLAND, SECTION 3-42 OF THE CHARTER OF THE CITY OF CAMBRIDGE, AND, AS APPLICABLE, ORDINANCE NO. 939, PASSED BY THE COMMISSIONERS OF THE CITY (THE "COMMISSIONERS") ON JULY 25, 2005, APPROVED BY THE MAYOR OF THE CITY (THE "MAYOR") ON JULY 25, 2005 AND EFFECTIVE ON JULY 25, 2005, AND ORDINANCE NO 948, PASSED BY THE COMMISSIONERS ON OCTOBER 16, 2006, APPROVED BY THE MAYOR ON OCTOBER 16, 2006 AND EFFECTIVE ON OCTOBER 16, 2006, SUCH BONDS TO BE DESIGNATED AS PROVIDED HEREIN, THE PROCEEDS OF THE SALE THEREOF TO BE USED AND APPLIED FOR THE PUBLIC PURPOSE OF CURRENTLY REFUNDING IN WHOLE OR IN PART THE CITY'S OUTSTANDING PUBLIC FACILITIES BOND OF 2005 AND/OR PUBLIC FACILITIES BOND OF 2006 AND PAYING COSTS OF ISSUANCE; PRESCRIBING THE FORMS AND TENOR OF THE BONDS AND THE TERMS AND CONDITIONS FOR THE ISSUANCE AND SALE THEREOF AT PUBLIC SALE BY SOLICITATION OF COMPETITIVE BIDS, INCLUDING THE FORM OF THE OFFICIAL NOTICE OF SALE AND ALL OTHER DETAILS INCIDENT TO THE ISSUANCE, SALE AND DELIVERY OF THE BONDS; AUTHORIZING THE ACTING MAYOR OF THE CITY OR THE CITY MANAGER, WITH THE ADVICE OF THE FINANCE DIRECTOR, TO DETERMINE CERTAIN MATTERS PROVIDED FOR HEREIN IN CONNECTION WITH THE SALE OF THE BONDS; AUTHORIZING AND APPROVING THE PREPARATION AND DISTRIBUTION OF A PRELIMINARY AND A FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE SALE OF THE BONDS; PROVIDING FOR THE SELECTION OF A BOND REGISTRAR AND PAYING AGENT FOR THE BONDS AND PROVIDING FOR CERTAIN DETERMINATIONS IN ACCORDANCE WITH SUCH ENGAGEMENT; AUTHORIZING THE PREPARATION, EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE UNDERTAKING PURSUANT TO SEC RULE 15C2-12 AND COVENANTING TO PROVIDE CONTINUING DISCLOSURE RELATING TO THE BONDS; PROVIDING FOR THE DISBURSEMENT AND INVESTMENT OF THE PROCEEDS OF THE BONDS; PROVIDING FOR THE LEVY AND COLLECTION OF ANY TAXES NECESSARY FOR THE PROMPT PAYMENT OF THE MATURING PRINCIPAL OF AND INTEREST ON THE BONDS; PROVIDING THAT THE

FULL FAITH AND CREDIT AND UNLIMITED TAXING POWER OF THE CITY SHALL BE IRREVOCABLY PLEDGED TO THE PAYMENT OF SUCH PRINCIPAL AND INTEREST; PROVIDING THAT THE PRINCIPAL OF AND INTEREST ON THE BONDS ALSO MAY BE PAID FROM ANY OTHER SOURCES OF REVENUE LAWFULLY AVAILABLE TO THE CITY FOR SUCH PURPOSE; MAKING CERTAIN COVENANTS AND DETERMINATIONS RELATING TO THE TAX-EXEMPT STATUS OF THE BONDS; PROVIDING THAT THE PROVISIONS OF THIS RESOLUTION SHALL BE LIBERALLY CONSTRUED; AND GENERALLY RELATING TO THE ISSUANCE, SALE, DELIVERY AND PAYMENT OF AND FOR THE BONDS AUTHORIZED HEREBY.

Discussion:

The current interest rate environment offers the City an opportunity to refinance existing long-term debt sold prior to the recession, thereby reducing its interest costs. Refinancing existing debt on the City Marina and City Public Safety Building would generate substantial savings over the remaining life of the debt and reduce annual debt service. Staff is proposing to refinance the Marina Bond first issued in 2006 in the amount of \$3,000,000 for 15 years and Public Safety Building Bond first issued in 2006 in the amount of \$13,000,000 for 25 of years. Staff proposes that the debt periods remain as with the current bonds.

The structure of this sale will be a public offering. Under this approach we prepare an "official statement." The official statement, which is prepared by disclosure counsel, contains a large amount of information about the City and the specific fund issuing the debt (in this case, the General Fund). The information that goes into the official statement is compiled by City staff and is intended to present a clear picture of the City's financial condition so that prospective investors can make an informed investment decision. The public offering also requires a rating by a rating agency, in our case Standard and Poor's. The adoption of this Resolution will:

1. Authorize the issuance and sale of General Obligation Bonds in the not to exceed amount of \$11,000,000.
2. Apply the proceeds of the sale to the refunding of the City's outstanding Public Facilities Bond of 2005 and/or Public Facilities Bond of 2006 and to paying the cost of issuance of the bonds.
3. Authorize issuance and sale by competitive bid at public sale.
4. Authorize the Acting Mayor or City Manager with advice from the Finance Director to determine certain matters in connection with the sale of the bonds;
5. Authorize preparation and distribution of a Preliminary and Final Official Statement.
6. Pledge of the City's full faith and credit and unlimited taxing power to the payment of principal and interest on the bonds, and provide that any revenues available to the City other than tax revenue may also be used to pay for the bonds.

Fiscal Impact:

The City anticipates lowering the total cost of the City's remaining debt on the Marina and Public safety building by \$750,000 and lower annual debt service by approximately \$67,000 per year.

Next Steps: The Mayor, City Manager, and other staff met with a rating agency on March 24, 2016. Once the City receives the rating and the bond resolution is authorized, the Financial Advisors will send the bond out for competitive bid and receive quotes which will be given to the City to approve. **The estimated date for quotes is the week of April 4th depending on market conditions.** The Mayor or City Manager will then execute the sale of the bond.