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JUN 09 2016 Chandler



MEMORANDUM **Management Services Memo No. MS16-077**

DATE: JUNE 9, 2016
TO: MAYOR AND COUNCIL
THRU: MARSHA REED, CITY MANAGER *MR*
FROM: DAWN LANG, MANAGEMENT SERVICES DIRECTOR *DL*

SUBJECT: RESOLUTION NO. 4962 AUTHORIZING THE EARLY REDEMPTION OF THE JULY 1, 2017 MATURITY, WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2005, IN THE AMOUNT OF \$5,725,000, AND TRANSFER OF NECESSARY FUNDS FROM THE WATER AND WASTEWATER OPERATING CONTINGENCY FUNDS TO APPROPRIATE WATER AND WASTEWATER DEBT SERVICE COST CENTERS

RECOMMENDATION

Staff recommends City Council adopt Resolution No. 4962 authorizing the early redemption of the July 1, 2017 Maturity, Water and Sewer Revenue Refunding Bonds, Series 2005, in the amount of \$5,725,000, and approval of the transfer of Non-Department Water Operating Fund contingency to the Water Fund Debt Service cost center in the amount of \$2,070,000 and Non-Departmental Wastewater Operating Fund contingency appropriation to the Wastewater Fund Debt Service cost center in the amount of \$3,655,000.

BACKGROUND

The City of Chandler periodically issues various types of debt to support capital construction of infrastructure and other facilities. City staff and the City's Financial Advisor regularly review outstanding bond issues for refunding or redemption opportunities that will result in saving to debt expense. Among the existing debt issues is the Water and Sewer Revenue Refunding Bonds, Series 2005, which has been identified for potential early redemption.

DISCUSSION

The Water and Sewer Revenue Refunding Bonds, Series 2005, is scheduled for final payment on July 1, 2017. However, the City has the opportunity to make this final payment one year early (July 1, 2016) with a resulting interest savings of \$286,250 and net present value savings of approximately \$220,000. The principal and interest on this bond series is paid by Water Operating Fund and Wastewater Operating Fund so the savings from early redemption would result in direct savings to those two Enterprise Funds.

FINANCIAL IMPLICATIONS

Early redemption of this bond series will result in approximately \$220,000 net present value savings. Since this is an early redemption, there is no appropriation in the Fiscal Year 2015-16 Budget to make the early payment; therefore, transfers from the Water Operating Fund contingency (605.1290.5911) and the Wastewater Operating Fund contingency (615.1290.5911) to Water Operating Fund Debt Service cost center (605.7500.7516) and Wastewater Operating Fund Debt Service cost center (615.7500.7618) are necessary to proceed with this early redemption. These transfers require Council approval based on the City's Financial Policies.

PROPOSED MOTION

Move City Council adopt Resolution No. 4962 authorizing the early redemption of the July 1, 2017 Maturity, Water and Sewer Revenue Refunding Bonds, Series 2005, in the amount of \$5,725,000, and approval of the transfer of Non-Department Water Operating Fund contingency to the Water Fund Debt Service cost center in the amount of \$2,070,000 and Non-Departmental Wastewater Operating Fund contingency appropriation to the Wastewater Fund Debt Service cost center in the amount of \$3,655,000.

Attachment: Resolution No. 4962

c: Nachie Marquez, Assistant City Manager

RESOLUTION NO. 4962

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA AUTHORIZING THE EARLY REDEMPTION OF THE JULY 1, 2017 MATURITY, WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2005, IN THE AMOUNT OF \$5,725,000, AND TRANSFER OF NECESSARY FUNDS FROM THE WATER AND WASTEWATER OPERATING CONTINGENCY FUNDS TO APPROPRIATE WATER AND WASTEWATER DEBT SERVICE COST CENTERS.

WHEREAS, the City of Chandler strives to achieve the lowest possible debt service costs for City issued debt; and

WHEREAS, the City of Chandler staff and its Financial Advisor have identified an opportunity to redeem outstanding Water and Sewer Revenue Refunding Bonds, Series 2005 with interest savings estimated at \$286,250 by making the current payment and the 2017 payment now in the amount of \$5,725,000; and

WHEREAS, the City of Chandler must instruct U.S. Bank, as paying agent, to take the actions necessary to perform this redemption including issuing a notice of the redemption to bondholders; and

WHEREAS, the City's Financial Policies require that the Council approve the transfer of the necessary funds for redemption from the Water and Wastewater Operating Contingency Funds to the Water Operating Fund Debt Service cost center and the Wastewater Operating Fund Debt Service cost center.

NOW, THEREFORE BE IT RESOLVED, that there Mayor and City Council hereby authorizes:

1. A redemption of the July 1, 2017 maturity of the City of Chandler Water and Sewer Revenue Refunding Bonds, Series 2005, in the amount of \$5,725,000 and that the paying agent shall be instructed to take the actions necessary to perform this redemption; and
2. The transfer from the Water Operating Fund contingency (605-1290-5911) and the Wastewater Operating Fund contingency (615.1290.5911) to the Water Operating Fund Debt Service cost center (605.7500.7516) and the Wastewater Operating Fund Debt Service cost center (615.7500.7618).

PASSED AND ADOPTED by the City Council of the City of Chandler, Arizona this ____ day of _____, 2016.

ATTEST:

CITY CLERK

MAYOR:

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No. 4962 as duly passed and adopted by the City Council of the City of Chandler, at a regular meeting held on the ___ day of June, 2016 and that a quorum was present thereat.

City Clerk

Published:

APPROVED AS TO FORM:

City Attorney (rb)