



## City of San Leandro

### *Refunding of the 2007 Certificates of Participation*

#### **Background Information:**

- In May 2007, the City of San Leandro issued the 2007 Certificates of Participation (“COPs”) to refund the City’s 1999 COPs
  - The 1999 COPs were issued to finance improvements to the main library, acquisition and construction of Fire Stations 10 and 11 and other projects
- As of 9/1/2016, \$16.7 million of the 2007 COPs are outstanding
- Interest rates range from 4.00% in 2016 to 4.375% in 2029
- At the time of issuance, the 2007 COPs were rated “A+” and “A2” by Standard & Poor’s and Moody’s respectively
- The 2007 COPs carry bond insurance and reserve surety bond policies provided by MBIA
- City asset encumbered under the lease securing the 2007 COPs is the main library
- First optional redemption date is 11/1/2016 at a 101% redemption premium

#### **Refunding Opportunity:**

- In the current market environment, the 2007 COPs are eligible to be refunded for savings
- The City’s current underlying ratings are “AA-” and “A1” by Standard & Poor’s and Moody’s respectively
  - Ratings were upgraded in August 2014 by Standard & Poor’s and July 2016 by Moody’s
- To maximize cash flow savings and/or provide the City with greater flexibility, the City is considering several financing strategies including the following:
  - Refund the certificates of participation as lease revenue bonds
  - Structure no debt service reserve fund
  - Pursue Standard & Poor’s rating only
  - Allow for the issuance of additional bonds under the lease
- Given the City’s strong credit profile, bond insurance and a reserve fund surety are not economical
- The refunding bonds will be structured to generate uniform level savings to the same final maturity in 2029
- Preliminary schedule contemplates bond sale in November 2016 and bond closing in December 2016

#### **Preliminary Refunding Results:**

- Net Present Value Savings = \$2.24 million or 14.2% of refunded certificates
- Average Annual Savings = \$194,500
- Total Savings = \$2.51 million

Preliminary Refunding Results	
Par Amount of Refunding Bonds	\$14,280,000
Par Amount of Refunded Bonds	\$15,825,000
Bond Yield	1.91%
All-in True Interest Cost	2.08%
Final Maturity	11/1/2029
Average Life	7.42
<b>NPV Savings</b>	<b>\$2,239,666</b>
<b>NPV Savings (% of Refunded Par)</b>	<b>14.15%</b>
<b>Average Annual Savings</b>	<b>\$194,518</b>
<b>Total Savings</b>	<b>\$2,512,527</b>

Fiscal Year	2007 COPs Debt Service	2016 Bonds Debt Service	Savings
2017	\$1,616,319	\$1,438,117	\$178,202
2018	1,618,519	1,424,600	193,919
2019	1,614,119	1,417,600	196,519
2020	1,613,319	1,415,800	197,519
2021	1,615,919	1,422,600	193,319
2022	1,615,338	1,422,600	192,738
2023	1,617,038	1,421,000	196,038
2024	1,615,438	1,422,800	192,638
2025	1,616,063	1,422,800	193,263
2026	1,613,969	1,421,000	192,969
2027	1,614,469	1,417,400	197,069
2028	1,612,344	1,417,000	195,344
2029	1,612,594	1,419,600	192,994
<b>Total</b>	<b>\$20,995,444</b>	<b>\$18,482,917</b>	<b>\$2,512,527</b>

The financing was evaluated at interest rates as of 9/1/2016 and tax-exempt spreads to the generic “AAA” municipal yield index (“MMD”) of +7 bps beginning in 2017 increasing to +55 bps in 2029. The interest rate assumptions are based on current market conditions and similar credits.

#### **Benefits of the Refunding:**

1. Take advantage of low interest rates to achieve budgetary savings
2. Modify the legal structure to provide the City greater financing flexibility in the future