



Legislation Details (With Text)

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Finance Director
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Date	Ver.	Action By	Action	Result
10/17/2016	1	City Council	Approved as Submitted	Pass

Highlights of the Finance Committee Meeting of September 7, 2016

CITY OF SAN LEANDRO

FINANCE COMMITTEE

September 7, 2016
5:00 - 6:30p.m.

San Leandro City Hall
835 East 14th Street
San Leandro, California
(Sister Cities Gallery)

HIGHLIGHTS

1. CALL TO ORDER

Mayor Cutter called the meeting to order at 5:00 p.m.

1.A. Attendance

Committee members present: Mayor Cutter, Councilmember Lee, Councilmember Prola

City staff present: City Manager Zapata, Acting Assistant City Manager Kay, Community Development Director Battenberg, Assistant Finance Director Fuentes, Budget/Compliance Manager Perini

Public present: Holly Vocal, Corina Lopez

1.B. Announcements

None.

2. DISCUSSION ITEMS

2.A. 2016 Refunding lease Revenue Bonds

The City of San Leandro issued Certificates of Participation (COPs) in 2007 to refund prior debt, the 1999 COPs. Currently there is \$16.7 million outstanding on that issuance with interest rates ranging from 4% 2016 to 4.375% in 2029. The proposed refinancing is expected to bring the average interest rate down to approximately 2%, based on current market conditions.

Holly Vocal of Stifel, Bond Underwriter, stated that the following financing strategy is now contemplated:

- The 2007 COPs will be refunded as Lease Revenue Bonds. Lease Revenue Bonds in the municipal market are perceived as a better credit than COPs.
- No Debt Service Reserve fund is necessary and that will increase cash flow savings for the City.
- Standard and Poor's will be the only rating the City will pursue and this will provide a cost savings of \$25,000 and there is no impact when bringing the bonds to market.
- Allowing for issuance of additional debt. In 2007 the Library had an asset value of \$22 million. Now the refinancing par value is \$14 million and therefore there is at least \$7 million of value in the Library value that will provide the City with more flexibility for future new money financing, which could be secured by the Library asset, if needed.
- Bonds are structured to create level annual savings to same final maturity in 2029
- Current schedule contemplates a bond sale in November and closing in December 2016.

Based on current rates and proposed structure, total savings are about \$2.5 million and average annual savings of \$195,000. Net present value savings is \$2.2 million or 14.2% of the refunded par amount.

Benefits of refunding are to achieve savings and modify legal structure to give the City additional flexibility in the future.

Assistant Finance Director Fuentes indicated that staff is recommending locking in the savings while interest rates are low and cautioned that a bond sale should occur before December.

City Manager Zapata advises to place the refunding on the City Council Agenda for October 17 approval.

Holly Vocal will provide additional information and analysis for the Council to consider in October.

Committee Recommendation for City Council Consideration

The Committee recommends bringing refunding of Lease Revenue Bonds to Council for approval at an October 2016 meeting with requested analysis.

2.B. Budget in Brief/Prioritizing Unfunded Liability Liquidation

Budget and Brief was passed out to the Committee for review and discussion. Discussion regarding the budget and increase in unfunded liability, CalPERS update and Alameda County Fire and Public Safety, was led by City Manager Zapata and Assistant Finance Director Fuentes. City Manager Zapata indicated that CalPERS unfunded liability and ACFD retiree health care unfunded liabilities have increased a total of \$25 million since last year. The cause for the increase is due primarily to poor investment performance relative to the assumed rates of return used by the actuary.

City Manager Zapata stated a report will be provided to Council at a future meeting.

3. PUBLIC COMMENTS

None

4. COMMITTEE MEMBER COMMENTS

Mayor Cutter would like to see a report on how the City plans on reconstructing the roads. City Manager Zapata stated that staff is doing an analysis on borrowing on future revenues. Further analysis will be performed.

5. ADJOURN

The meeting was adjourned at 5:45 p.m.