

**LODI CITY COUNCIL  
SHIRTSLEEVE SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, JUNE 5, 2012**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, June 5, 2012, commencing at 7:00 a.m.

Present: Council Member Hansen, Council Member Johnson, Council Member Katzakian, Mayor Pro Tempore Nakanishi, and Mayor Mounce

Absent: None

Also Present: City Manager Bartlam, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Discuss Potential Refinancing Opportunities (CM)

City Manager Bartlam provided an introduction to the subject matter of refinancing opportunities.

Deputy City Manager Jordan Ayers provided a PowerPoint presentation regarding refinancing opportunities. Specific topics of discussion included General Fund and Wastewater Fund bonds eligible for refinance, purpose of original issuance, initial issue and payoff dates, current debt status, proposed refunding process, estimated savings, and next steps.

In response to Council Member Johnson, Mr. Ayers stated each of the three issuances has different variable rates associated with it.

In response to Council Member Hansen, Mr. Ayers stated the refinancing will take three to six months because of the review that is needed between the bond counsel, underwriters, financial advisors, and the City Attorney.

In response to Mayor Mounce, Mr. Ayers stated the current 2023, 2034, and 2031 payoff dates for each of the three bond issues remains separate.

In response to Council Member Hansen, Mr. Bartlam confirmed that the \$2.5 million estimated savings, combined with the current \$1 million set aside, could be used for the construction of Fire Station #2 without the need for additional bonds.

In response to Mayor Mounce, Mr. Bartlam stated the current \$1 million set aside is for acquisition and design purposes for Fire Station #2 and will take several months. Mr. Bartlam stated the estimated \$2.5 million savings, if used for the fire station, will alleviate the stress associated with finding funds through borrowing for the remainder of the project.

In response to Council Member Katzakian, Mr. Bartlam stated the \$3.5 million number should be sufficient for the construction of Fire Station #2.

In response to Council Member Hansen, Mr. Bartlam stated if the refinancing does close early September, the fire station construction will likely begin in early summer next year.

In response to Council Member Johnson, Mr. Ayers stated if the close does not happen in September as anticipated, the already scheduled debt service payment in October will be made and the refinancing will occur in 2013 instead of 2012, which may affect the overall savings.

In response to Mayor Mounce, Mr. Bartlam stated the Lodi Avenue property is being appraised and reviewed for fire station project purposes.

In response to Mayor Pro Tempore Nakanishi, Mr. Bartlam stated if the estimated \$2.5 million savings was not realized from the proposed refinancing, the City was going to have to borrow the money for the fire station project.

In response to Council Member Hansen, Mr. Ayers stated a private borrowing would likely have a 3% to 4% interest rate while the proposed refinancing has a 1% to 5% interest rate with yield considerations over an extended period of time.

In response to Council Member Johnson, Mr. Ayers stated the recommendations of the financial advisors on the proposed refinancing will likely be received next week.

In response to Mayor Mounce, City Attorney Schwabauer stated Lamont Financial Services does not make additional money depending upon the recommendation because it is an independent advisor.

In response to Council Member Hansen, Mr. Ayers confirmed that different companies are stronger in specific funds and their proposals include marketing strategy for the sale of the bonds.

In response to Council Member Johnson, Mr. Schwabauer stated the percentage of the overall sale is a set figure and does not change if the City has one or multiple underwriters.

In response to Mayor Mounce, Mr. Ayers confirmed that the refinancing cannot combine all the bonds because they belong to separate funds and based on his experience he has always had a good working relationship with the individuals at JP Morgan.

Mayor Pro Tempore Nakanishi, Mayor Mounce, Council Member Katzakian, and Council Member Hansen requested information regarding the amount of debt that the City has had since 2000 to the present, which includes General Fund and Enterprise Fund debt, the percentage of the debt in comparison to the respective fund, and how that debt compares to debt carried by other cities.

In response to Ed Miller, Mr. Bartlam confirmed that the total estimated cost for Fire Station #2 is \$3.5 million, \$1 million of which is already set aside and \$2.5 million that can be realized from the refinancing savings of the General Fund debt.

In response to Myrna Wetzel, Mayor Pro Tempore Nakanishi and Council Member Hansen confirmed the City will always have some type of debt due to rising construction costs and mandates and the primary focus is how to manage that debt.

C. Comments by Public on Non-Agenda Items - None

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:40 a.m.

ATTEST:

Randi Johl  
City Clerk



**CITY OF LODI  
COUNCIL COMMUNICATION**

**AGENDA TITLE:** Discuss Potential Refinancing Opportunities

**MEETING DATE:** June 5, 2012

**PREPARED BY:** Deputy City Manager

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**RECOMMENDED ACTION:** Discuss potential refinancing opportunities.

**BACKGROUND INFORMATION:** The City has been presented with an opportunity to refinance a number of its outstanding bond issues at attractive interest rates and savings. In the current bond market, the existing 2002 General Fund Certificates of Participations (COPS), 2003B CSCDA Wastewater COPS and the 2004 Wastewater COPS appear to be economically viable refinancings. Due to the different natures of the underlying credits associated with these existing debt issues (General Fund vs. Wastewater Fund), the City will structure the refinancings in such a manner to maximize the potential savings. As such, the refinancings will be handled as two separate transactions, running on parallel timelines. Preliminary indications show that the City can harvest net present-value savings of approximately \$2.6 million on the General Fund refinancing and approximately \$1.3 million on the Wastewater refinancing.

Staff will provide information specific to each issue and the next steps needed to complete these transactions.

**FISCAL IMPACT:** Preliminary estimates of net present value savings of approximately \$2.6 million on the General Fund refinancing and \$1.3 million on the Wastewater refinancing.

**FUNDING AVAILABLE:** Refinancing bond proceeds.

Jordan Ayers  
Deputy City Manager

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APPROVED:

  
Konradt Bartlam, City Manager

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# Refinancing Opportunities

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City Council Shirtsleeve Session  
June 5, 2012

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# Bonds to Refinance

- General Fund
  - 2002 Certificates of Participation
  
- Wastewater Fund
  - 2003B CSCDA Certificates of Participation
  - 2004 Certificates of Participation

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# General Fund COPS

- Issued to:
  - Pay for Police building
  - Reconstruction of Hutchins Street Square
  - Refund prior bonds issued for downtown improvements
  
- Initial issue date – 2002
- Payoff date - 2031

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# General Fund COPS

- Original issue amount - \$26,745,000
- \$21,025,000 outstanding
- Next payment date – October 1, 2012
  
- Remaining COPS have note rates of 4.125% to 5.00%
- Annual debt service of about \$1.6 million

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# 2003B Wastewater COPS

- 2003B CSCDA COPS
  - Issued to upgrade wastewater collection and treatment facilities
- Initial issue date – 2003
- Payoff date – 2023

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## 2003B Wastewater COPS

- Original issue amount - \$5,000,000
- \$3,415,000 outstanding
- Next payment date – October 1, 2012
  
- Remaining COPS have note rates of 4.0% to 5.25%
- Annual debt service of about \$384,000

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# 2004 Wastewater COPS

- Issued to finance improvements required under operating permit
- Initial issue date – 2004
- Payoff date – 2024

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## 2004 Wastewater COPS

- Original issue amount - \$27,360,000
- \$20,340,000 outstanding
- Next payment date – October 1, 2012
  
- Remaining COPS have note rates of 4.5% to 5.5%
- Annual debt service of about \$2.16 million

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# Proposed Refunding-GF COPS

- Callable at October 2012
  - Current refunding
- Refund all remaining bonds
- Close early September
- Lower note rates and yields
- Keep same payoff timeline
- Run parallel to WW refunding

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# Proposed Refunding-GF COPS

- Preliminary estimate of savings - \$2.6 million
  - Can be taken in a lump sum or spread over time
    - Recommend lump sum and use savings to finance Fire Station 2

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# Proposed Refunding—WW COPS

- Call dates
  - 2003B series—October 2013
  - 2004 series---October 2014
    - Advance refunding for both issues
- Consider refunding all remaining bonds
- Close early September
- Lower note rates and yields
- Keep same payoff timeline
- Run parallel to GF refunding

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# Proposed Refunding–WW COPS

- Preliminary estimate of savings - \$1.3 million
  - Can be taken in a lump sum or spread over time
    - No recommendation at this time
    - Need further evaluation of economics

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# Next Steps

- Assemble financing team
  - Financial Advisor—Lamont Financial Services
  - Bond Counsel---Jones-Hall
  - Underwriters
    - Stone and Youngberg-Senior UW on WW and Co-underwriter on GF transaction
    - JPMorgan-Senior UW on GF and Co-underwriter on WW transaction

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Questions?

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