



Legislation Text

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REQUEST FOR CORONA UTILITY AUTHORITY ACTION

DATE: 05/17/2023

TO: Honorable Chairman and Board Members

FROM: Finance Department

SUBJECT:

RESOLUTION AND OTHER OFFICIAL ACTIONS AUTHORIZING THE ISSUANCE OF THE CORONA UTILITY AUTHORITY 2023 WATER REVENUE REFUNDING BONDS

EXECUTIVE SUMMARY:

This staff report asks the Corona Utility Authority to consider adopting a resolution that will provide authorization for the refunding, or refinancing, of the existing 2012 Water Revenue Bonds. The refunding of the bonds will provide lower interest rates, creating an estimated savings of \$2.15 million over the life of the bonds.

RECOMMENDED ACTION:

That the City Utility Authority adopt Resolution No. 2023-001 authorizing the issuance of the Corona Utility Authority 2023 Water Revenue Refunding Bonds in the aggregate principal amount of not to exceed \$23,000,000 in connection with the refinancing of certain improvements to the water enterprise of the Corona Utility Authority, authorizing and directing execution of an Indenture of Trust, authorizing the sale of the Bonds, approving a purchase contract and an official statement, and authorizing official actions and execution of related documents.

BACKGROUND & HISTORY:

The Corona Utility Authority previously issued its 2012 Water Revenue Bonds (Water Projects) (the "2012 Bonds"). The proceeds were used to finance and refinance certain improvement projects to the water system (the "Water System"). The bonds became call-able, or eligible for refinancing in 2022. City staff and the financing team (as referenced in the Analysis section) started reviewing and discussing market conditions and the opportunity to refinance the bonds to a lower interest rate, generating a positive financial impact.

ANALYSIS:

The recommended actions identified in the resolution (the "Resolution") of the Corona Utility Authority (the "Authority") will approve the issuance by the Authority of its 2023 Water Revenue Refunding Bonds (the "Bonds") for the purpose of refinancing the 2012 Bonds. Based on recent market conditions, the refinancing will result in total estimated debt service savings for the Authority of approximately \$2.41 million (or \$2.15 million in 2023 dollars). Savings estimates are inclusive of all costs to issue the Bonds. The final savings amount will not be known until the Bonds are priced as expected later in May. The aggregate principal amount of the Bonds is not to exceed \$23,000,000.

The Authority has selected Stifel, Nicolaus & Company as the underwriter (the "Underwriter") for the refunding transaction. Other members of the financing team include CSG Advisors, Incorporated as the Authority's municipal advisor, Best Best & Krieger LLP as bond counsel, and Stradling Yocca Carlson and Rauth as disclosure counsel.

The Resolution approves the refinancing of the 2012 Bonds, along with the form of the following documents:

1. Indenture of Trust, by and between the Authority and The Bank of New York Mellon Trust Company, N.A. as trustee, under which the Bonds will be issued by the Authority;
2. Purchase Contract, pursuant to which the Underwriter agrees to purchase the Bonds;
3. Irrevocable Refunding Instructions, which provides instruction to the Trustee to refund the 2012 Bonds;
4. The Continuing Disclosure Certificate, which obligates the Authority to provide annual continuing disclosure to the marketplace; and
5. The Preliminary Official Statement, under which relevant information about the Bonds, the Authority, and the Water System is disclosed to potential investors.

The Resolution also authorizes staff to take all necessary actions in order to bring the financing to a successful conclusion. The Authority is anticipated to receive a rating on the Bonds from Standard & Poor's the same week as this meeting. Assuming favorable market conditions, the Bonds are expected to be sold around May 25, 2023, and delivered on June 8, 2023. If market conditions deteriorate prior to the sale date, staff may delay sale until market conditions are more favorable and expected savings can reasonably be expected to be achieved. All documents will be on file after execution at the Secretary's Office.

FINANCIAL IMPACT:

All project and financing costs will be paid through the issuance of the Bonds. Payment of principal of and interest on the Bonds is secured and payable from Water System revenues. The estimated principal amount of the Bonds will not exceed \$23,000,000. The following is an estimated

breakdown of the project and financing costs:

Refunding of the 2012 Bonds	\$ 21,830,000
Cost of Issuance	299,000
<hr/> Total Estimate	<hr/> \$ 22,129,000

Based on recent market conditions, annual debt service savings accruing to the Water System operational budget are estimated to average \$240,600 annually through 2032, totaling \$2.15 million over the life of the bonds.

Recent municipal market conditions have been volatile. The final savings amount will not be known until the Bonds are priced as expected later in May. If market conditions deteriorate prior to the sale date, staff may delay sale until market conditions are more favorable and expected savings can reasonably be expected to be achieved.

The cost of issuance is approximately \$299,000. These costs include professional service fees for bond counsel, disclosure counsel, municipal advisor, rating agency, verification agent, as well as the underwriter's discount and other minor fees. The amount listed is an estimate and actual costs will be determined when the Bonds are delivered. The costs of issuance are included in the refinancing total and are part of the total savings analysis.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action to consider the adoption of a resolution and other official actions related to the 2023 Water Revenue Refunding Bonds and there is no possibility that approving this project will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: KIM SITTON, FINANCE DIRECTOR

Attachments:

1. Exhibit 1 - Resolution No. 2023-001 - 2023 Water Revenue Refunding Bonds
2. Exhibit 2 - Indenture of Trust - 2023 Water Revenue Refunding Bonds
3. Exhibit 3 - Purchase Contract - 2023 Water Revenue Refunding Bonds
4. Exhibit 4 - Preliminary Official Statement - 2023 Water Revenue Refunding Bonds

5. Exhibit 5 - Continuing Disclosure Certificate - 2023 Water Revenue Refunding Bonds
6. Exhibit 6 - Irrevocable Refunding Instructions - 2023 Water Revenue Refunding Bonds