

SUBJECT: Proposed refunding of the outstanding Water Revenue Refunding Bonds, Series 2014, through the issuance of Water Revenue Refunding Bonds, Series 2024, and appointing financing team members.

DEPARTMENT: Finance and Information Systems

STAFF: Kerry Breen, City Treasurer and Director of Finance and Information Systems
Christine Andrews, Assistant Director of Finance and Information Systems

TITLE/RECOMMENDATION

Adopt two Resolutions, one by the City Council and one by the Brentwood Infrastructure Financing Authority ("BIFA"): 1) appointing Del Rio Advisors, LLC as Municipal Advisor; RBC Capital Markets, LLC as Underwriter; Orrick, Herrington & Sutcliffe LLP as Bond and Disclosure Counsel, and 2) directing City staff to commence preparations to refund the Water Revenue Refunding Bonds, Series 2014, and to return to the City Council /BIFA Board once the related documents have been prepared for approval.

FISCAL IMPACT

Upon the successful sale and closing of the proposed 2024 Water Revenue Refunding Bonds, based on market conditions as of June 28, 2024, the expected annual savings to the Water Enterprise Fund is approximately \$218,550 per year from FY 2025 to 2038. The total savings equate to \$3,059,706 with net present value savings of \$2,500,711 or 8.25% of the outstanding bonds.

The Municipal Advisor, Underwriter, and Bond and Disclosure Counsel ("Financing Team") would only be compensated if the refunding transaction is successfully completed. The Water Enterprise Fund would be responsible for the costs associated with obtaining a credit rating, estimated to be approximately \$25,000, even if the transaction does not close. All anticipated costs are accounted for and included in the savings estimates provided above.

BACKGROUND

BIFA issued Water Revenue Bonds, Series 2008 (the "2008 Bonds"), in the original amount of \$53,200,000. The proceeds of the 2008 Bonds were used to refund and defease (or retire early) bonds issued in 1996 outstanding in the amount of



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\$9,635,000 at the time of the refunding and to repay \$41,000,000 of commercial paper issued by Contra Costa Water District. The proceeds of the commercial paper program were used to construct the City’s Surface Water Treatment Facility Phases I and II, currently known as the Brentwood Water Treatment Plant.

In 2014, BIFA issued Water Revenue Refunding Bonds, Series 2014, to partially refund and defease \$43,335,000 of the 2008 Bonds callable on July 1, 2018 with maturities ranging from July 1, 2019 to July 1, 2038. The remaining maturities in the amount of \$5,420,000 ranging from July 1, 2015 to July 1, 2018 were non-callable at the time of the refunding and were left outstanding.

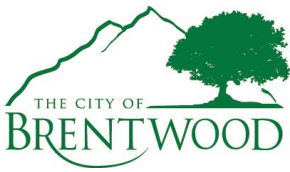
Given current market conditions and the fact that the 2014 Bonds are callable beginning July 1, 2024, there is an opportunity to refund the 2014 Bonds through the issuance of Water Revenue Refunding Bonds, Series 2024 (the “2024” Bonds”) to generate significant savings to the Water Enterprise Fund. The proposed 2024 Bonds are a refunding only for economic savings and the term of the bonds will remaining the same as the outstanding 2014 Bonds.

Below is a table showing the current estimates for the refunding economics, assuming market interest rates and yields as of June 28, 2024:

Amount Outstanding	\$30,325,000
2014 Bonds Interest Rates	5.00%
Estimated Principal Amount	\$27,655,000
Estimated Cost of Issuance*	\$431,918
Total Savings	\$3,059,706
Net Present Value Savings (“NPV”)	\$2,500,711
NPV Savings Percentage	8.25%
Average Annual Savings (FYs 2025 to 2038)	\$218,550
Final Maturity (No Extension of Term)	July 1, 2038
True Interest Cost	3.16%
All-In True Interest Cost	3.30%

*Includes estimated fees and expenses of the Underwriter, Bond and Disclosure Counsel, the Municipal Advisor, rating agency and rounding / miscellaneous. Assumes “AA” S&P Global underlying rating.

Following is a schedule of the annual savings on the proposed 2024 Bonds:



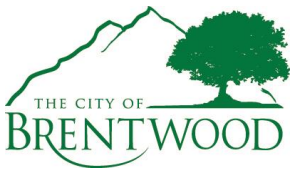
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<i>Date</i>	<i>Prior Debt Service</i>	<i>Refunding Debt Service</i>	<i>Savings</i>
07/01/2025	3,517,350.00	3,357,493.75	159,856.25
07/01/2026	3,509,350.00	3,285,000.00	224,350.00
07/01/2027	2,851,350.00	2,629,000.00	222,350.00
07/01/2028	2,850,600.00	2,625,750.00	224,850.00
07/01/2029	2,851,600.00	2,629,000.00	222,600.00
07/01/2030	2,852,400.00	2,628,250.00	224,150.00
07/01/2031	2,850,200.00	2,628,500.00	221,700.00
07/01/2032	2,850,000.00	2,629,500.00	220,500.00
07/01/2033	2,846,600.00	2,626,000.00	220,600.00
07/01/2034	2,845,000.00	2,623,000.00	222,000.00
07/01/2035	2,850,000.00	2,625,250.00	224,750.00
07/01/2036	2,847,750.00	2,622,250.00	225,500.00
07/01/2037	2,849,750.00	2,629,000.00	220,750.00
07/01/2038	2,845,500.00	2,619,750.00	225,750.00
	41,217,450.00	38,157,743.75	3,059,706.25

On July 16th, staff met with the FY 2023/24 – 2025/26 Budget Review Committee to discuss this potential refunding opportunity. The Committee recommended that staff bring this item to the full Council for Consideration.

Should the City Council and the BIFA Board choose to move forward on the refunding, the Financing Team the schedule on the following page. Staff would bring all required documents to the meeting of September 10th for final approval, which would allow the refunding to be completed prior to potential bond market uncertainty around the time of the national election.

Date	Task
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July 16	FY 2023/24 – 2025/26 Budget Review Committee Meeting
July 17 – August 12	Draft documents and preliminary official statement (“POS”)
August 13	City Council / BIFA Meeting (Refunding Briefing and Hire Financing Team)
Week of August 19	Rating Presentation
Week of September 2	Rating Released
September 10	City Council / BIFA Meeting (Approve Financing and Related Documents)
Week of September 16	<ul style="list-style-type: none"> • Due Diligence Call • Post POS
October 2	Bond Pricing
Week of October 7	<ul style="list-style-type: none"> • FOS Printed • Documents Executed
October 16	Closing

Note: **Green** indicates completed steps

CITY COUNCIL STRATEGIC INITIATIVE

Not Applicable

PREVIOUS ACTION

Previous Action by the City Council is included on Attachment 1.

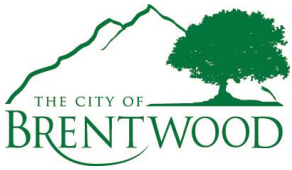
DATE OF NOTICE

Not Applicable.

ENVIRONMENTAL DETERMINATION

This item does not require any CEQA evaluation since it is simply a proposed refunding of existing bonds for economic savings, and it can thus be seen with certainty that there is no possibility that it may have a significant effect on the environment. Thus, per 14 CCR § 15061(b)(3), this action is exempt from further CEQA review.

ALTERNATIVE OPTION



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The City Council / BIFA Board could choose not to move forward on the refunding at this time.

ATTACHMENTS

1. Previous Action
2. BIFA Resolution Authorizing Staff to Evaluate Refunding of 2014 Bonds
3. City Council Resolution Authorizing Staff to Evaluate Refunding of 2014 Bonds