



**CITY COUNCIL/BIFA AGENDA ITEM NO. H.1**  
**09/10/2024**

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**SUBJECT:** Approve the proposed refunding of the outstanding Water Revenue Refunding Bonds, Series 2014 through the issuance of Water Revenue Refunding Bonds, Series 2024 (the "2024 Bonds")

**DEPARTMENT:** Finance and Information Systems

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

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### **TITLE/RECOMMENDATION**

Adopt two Resolutions, one by the City Council and one by the Brentwood Infrastructure Financing Authority ("BIFA"): 1) authorizing issuance and sale of the 2024 Bonds; 2) authorizing execution of a Third Supplemental Trust Agreement; 3) authorizing execution of a Third Supplemental Installment Sale Agreement; 4) authorizing execution of a Bond Purchase Contract; 5) approving an Official Statement; and 6) directing staff to take all necessary steps to execute and deliver any and all documents necessary to facilitate the issuance, sale and delivery of the 2024 Bonds.

### **FISCAL IMPACT**

Upon the successful sale and closing of the proposed 2024 Bonds, based on market conditions as of August 7, 2024, the expected annual savings to the Water Enterprise Fund is approximately \$265,256 per year from FY 2025 to FY 2038. The total savings come to \$3,713,538, with net present value savings of \$3,098,857 or 10.21% of the outstanding bonds. This is a slight improvement from the savings estimates provided at the August 13, 2024 City Council meeting.

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 is responsible for the costs associated with obtaining the credit rating, estimated to be approximately \$29,500, even if the transaction does not close. All anticipated costs of the refunding are accounted for and included in the savings estimates provided above.

### **BACKGROUND**



**CITY COUNCIL/BIFA AGENDA ITEM NO. H.1  
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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 bonds issued in 1996, outstanding at the time of the refunding, in the amount of \$9,635,000 and to repay \$41,000,000 of commercial paper issued by the Contra Costa Water District. The proceeds 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 the (“2014 Bonds”) 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 and any date after that, there is an opportunity to “refinance” the 2014 Bonds through the issuance of the 2024 Bonds. The refunding will generate significant savings to the Water Enterprise Fund. The proposed 2024 Bonds are a refunding only for economic savings and the term of the 2024 Bonds will remain 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 August 7, 2024:

<b>Amount Outstanding</b>	\$30,325,000
<b>2014 Bonds Interest Rates</b>	5.00%
<b>Estimated Principal Amount</b>	\$27,170,000
<b>Estimated Cost of Issuance*</b>	\$427,590
<b>Total Savings</b>	\$3,713,538
<b>Net Present Value Savings (“NPV”)</b>	\$3,098,857
<b>NPV Savings Percentage</b>	10.21%
<b>Average Annual Savings (FYs 2025 to 2038)</b>	\$265,256
<b>Final Maturity (No Extension of Term)</b>	July 1, 2038
<b>True Interest Cost</b>	2.926%
<b>All-In True Interest Cost</b>	3.055%

Below is a schedule showing the annual savings on the proposed 2024 Bonds used to refund the outstanding 2014 Bonds:

\*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.



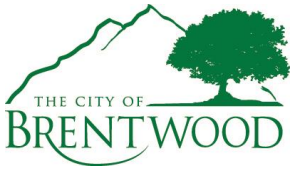
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<b>Date</b>	<b>Prior Debt Service</b>	<b>Refunding Debt Service</b>	<b>Savings</b>
07/01/2025	3,517,350.00	3,249,912.50	267,437.50
07/01/2026	3,509,350.00	3,245,250.00	264,100.00
07/01/2027	2,851,350.00	2,585,250.00	266,100.00
07/01/2028	2,850,600.00	2,583,250.00	267,350.00
07/01/2029	2,851,600.00	2,587,750.00	263,850.00
07/01/2030	2,852,400.00	2,588,250.00	264,150.00
07/01/2031	2,850,200.00	2,584,750.00	265,450.00
07/01/2032	2,850,000.00	2,587,250.00	262,750.00
07/01/2033	2,846,600.00	2,580,250.00	266,350.00
07/01/2034	2,845,000.00	2,579,000.00	266,000.00
07/01/2035	2,850,000.00	2,583,000.00	267,000.00
07/01/2036	2,847,750.00	2,581,750.00	266,000.00
07/01/2037	2,849,750.00	2,585,250.00	264,500.00
07/01/2038	2,845,500.00	2,583,000.00	262,500.00
	<b>41,217,450.00</b>	<b>37,503,912.50</b>	<b>3,713,537.50</b>

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/BIFA Board for consideration.

On August 13<sup>th</sup>, staff presented the refunding to the City Council and the BIFA Board. The joint action provided direction to prepare all necessary documents for the meeting of September 10th and appointed the team of RBC Capital Markets, LLC, as Underwriter; Orrick Herrington & Sutcliffe LLP as both Bond Counsel and Disclosure Counsel; and Del Rio Advisors, LLC, as Municipal Advisor. U.S. Bank Trust Company, National Association will serve as both Trustee and Escrow Agent.

Should the City Council and the BIFA Board approve the refunding tonight, the Financing Team expects to follow the remaining schedule as shown on the next page:



<b>Date</b>	<b>Task</b>
September 10	City Council / BIFA Meeting (Approve Financing and Related Documents)
Week of September 16	<ul style="list-style-type: none"><li>• Due Diligence Call</li><li>• Post Preliminary Official Statement (POS)</li></ul>
October 2	Bond Pricing
Week of October 7	<ul style="list-style-type: none"><li>• FOS Printed</li><li>• Documents Executed</li></ul>
October 16	Closing and Transfer of Funds

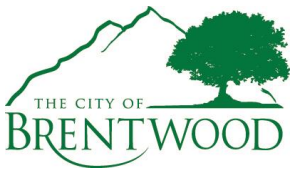
**Good Faith Estimates**

RBC Capital Markets, LLC, as Underwriter of the 2024 Bonds, provided the following information, for consideration before the action on the Resolutions approving the proposed 2024 Bonds:

**1. True Interest Cost of the Bonds:** Assuming an aggregate principal amount of the 2024 Bonds in the amount of \$27,170,000 is sold to effectuate the financing with annual debt service savings, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Bonds (which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds) is 2.92%.

**2. Finance Charge of the Bonds:** Assuming such a principal amount of the proposed 2024 Bonds is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the Finance Charge of the Bonds (which means the sum of all fees and charges paid to third parties or costs associated with the issuance of the 2024 Bonds), is \$427,590.21 consisting of an estimated fixed costs of issuance of \$250,985.21 and an estimated underwriter's discount of \$176,605.00.

**3. Amount of Proceeds to be received:** Assuming such aggregate principal amount of the proposed 2024 Bonds required to effectuate the financing is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the issuer for sale of the 2024 Bonds less the Finance Charge of the Bonds described in 2 above and any reserves or capitalized interest paid or funded with proceeds of the 2024 Bonds, is \$30,622,195.24.



**4. Total Payment Amount:** Assuming such aggregate principal amount of the proposed 2024 Bonds \$27,170,000 are sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount (which means the sum total of all payments the issuer will make to pay debt service on the 2024 Bonds plus the Finance Charge of the 2024 Bonds described in paragraph 2 above not paid with the proceeds of the 2024 Bonds, calculated to the final maturity of the 2024 Bonds) is \$37,503,912.50.

Note that the information above is only a good faith estimate. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of the sale of the 2024 Bonds, the amount of 2024 Bonds sold, the amortization of the 2024 Bonds sold and market interest rates at the time of sale. The date or dates of sale and the amount of 2024 Bonds sold will be determined by BIFA and the City based on need for funds and other factors. The actual interest rates at which the 2024 Bonds will be sold will depend on the bond market at the time of sale. The actual amortization of the 2024 Bonds will also depend, in part, on market interest rates at the time of each sale. Market interest rates are affected by economic and other factors beyond the issuer's control.

#### **CITY COUNCIL STRATEGIC INITIATIVE**

Not Applicable

#### **PREVIOUS ACTION**

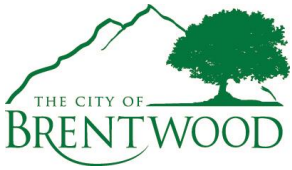
Previous Action by the City Council is included on Attachment 1.

#### **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(S)**

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

### **ATTACHMENT(S)**

1. Previous Action
2. BIFA Resolution
3. City Council Resolution
4. Third Supplemental Trust Agreement
5. Third Supplemental Installment Sale Agreement
6. Bond Purchase Contract
7. Preliminary Official Statement (POS)
  - 7a. Appendix A to the POS–Info Relating to the Water System
  - 7b. Appendix C to the POS–Continuing Disclosure Certificate
  - 7c. Appendix D to the POS–Info Relating to the City