



Beverly Hills City Council Liaison / Audit and Finance Committee will conduct a Special Meeting, at the following time and place, and will address the agenda listed below:

CITY OF BEVERLY HILLS
Video Teleconference
Call in: (916) 235-1420 or (888) 468-1995
Participant Pin: 872120
Beverly Hills, CA 90210

Friday, June 19, 2020
9:00 AM

TELEPHONIC VIDEO CONFERENCE MEETING

Pursuant to Executive Order N-25-20 members of the Beverly Hills City Council and staff may participate in this meeting via a teleconference. In the interest of maintaining appropriate social distancing, members of the public can participate by listening to the Special Meeting at (916) 235-1420 or (888) 468-1195 (participant code 872120) and offer comment through email at mayorandcitycouncil@beverlyhills.org

AGENDA

- 1) Public Comment
 - a. Members of the public will be given the opportunity to directly address the Committee on any item listed on the agenda.

- 2) Issuance of 2020 Water Revenue Bonds, Refunding of 2012 Water Revenue Bonds, and Refunding of 2012 Lease Revenue Bonds

- 3) Adjournment

George Chavez
City Manager

Posted: June 16, 2020

A DETAILED LIAISON AGENDA PACKET IS AVAILABLE FOR REVIEW AT WWW.BEVERLYHILLS.ORG



Pursuant to the Americans with Disabilities Act, the City of Beverly Hills will make reasonable efforts to accommodate persons with disabilities. If you require special assistance, please call (310) 285-1014 (voice) or (310) 285-6881 (TTY). Providing at least forty-eight (48) hours advance notice will help to ensure availability of services.



STAFF REPORT

Meeting Date: June 19, 2020

To: Audit and Finance Committee

From: Jeff S. Muir, Director of Finance
Tatiana Szerwinski, Assistant Director of Finance

Subject: Issuance of 2020 Water Revenue Bonds, Refunding of 2012 Water Revenue Refunding Bonds, and Refunding of 2012 Lease Revenue Bonds

Attachments:

1. Overall Combined Debt Profile – Water Revenue Bonds
2. Bond Summary Statistics – Series 2020A New Money (Water Revenue Bonds)
3. Bond Debt Service – Series 2020A New Money (Water Revenue Bonds)
4. Savings – 2020B Water Revenue Bonds (2012 refunding)
5. Savings – 2020 Lease Revenue Bonds (2012 refunding)

INTRODUCTION

In the winter of 2019, as part of the City's continuing ongoing effort to control costs, staff explored the benefits of refinancing the City's outstanding 2012 Water Revenue Refunding Bonds secured by the City's Net Revenues of the Water Enterprise as part of the plan to finance an additional \$32 million of improvements to the City's Water System that had been identified in the FY19-20 Capital Improvement Budget and contemplated as part of financing the Water Enterprise Plan as recommended and approved by Council on December 11, 2018. Staff also explored the benefits of refinancing the City's outstanding 2012 Lease Revenue Bonds secured by the City's library, vehicle maintenance shop, and the Public Works parking structure.

FISCAL IMPACT

The current outstanding amount for the 2012 Water Revenue Refunding Bonds is \$43.6 million and the City plans to issue an additional \$32 million in 2020 Water Revenue Bonds for the Water Enterprise Plan (WEP) and water system improvements (see bond proceeds on Attachment 2 and related debt service on Attachment 3). The WEP was first presented to Council on May 18, 2015 and Council consensus supported the formal adoption of the WEP at the August 18, 2015 City Council Formal meeting. Current market interest rates present the opportunity for the City to capture significant savings to the Water Fund by refinancing the 2012 Bonds. The total gross savings are currently

estimated as of May 21, 2020 to be \$5,576,539, or \$4,632,309 in net present value (current dollars) savings (see attachment 4). Overall debt service will increase \$36.6 million from the combination of savings associated with the refunded debt and the issuance of new debt (see attachment 1).

Additionally, an opportunity exists to capture additional savings of \$3,751,540 million (estimated as of May 21, 2020), or \$3,388,861 in net present value savings, for the General Fund by refunding the \$68.5 million in outstanding 2012 Lease Revenue Bonds (see attachment 5). The City can also utilize the assets secured by the 2019 and 2020 Lease Revenue Bonds (Police and Fire headquarters) and release the library and vehicle maintenance shop, leaving the Public Works parking structure to secure these refunded bonds.

DISCUSSION

The City engaged the services of a municipal advisor, Jim Fabian of Fieldman, Rolapp & Associates, Inc. (FRA), who performed an analysis of the 2012 Water Revenue Refunding Bonds along with the modeling of the new debt needed to finance the \$32 million of improvements and new projects, including the Water Enterprise Plan. An analysis was also performed regarding the City's outstanding 2012 Lease Revenue Bonds. The aforementioned analysis was performed to determine if savings would be realized from refunding the outstanding water and lease revenue bonds and to estimate the debt service for issuing additional water revenue bonds.

As a result of this analysis, the City is poised to move forward with refunding the 2012 Water Revenue Bonds and issuing new 2020 Water Revenue Bonds for the Water Enterprise Project and other water improvements in July 2020. The City will also be moving forward with refunding the 2012 Lease Revenue Bonds tentatively scheduled for September 2020.

RECOMMENDATION

The Finance Department plans to bring the aforementioned 2020 Water Revenue Bonds and refunding of the 2012 Water Revenue Bonds together to City Council in July 2020. The refunding of the 2012 Lease Revenue Bonds are tentatively planned to be brought before the Council in September. Staff seeks the direction and confirmation of the Audit and Finance Committee to move forward with the proposed new and refunded bonds.

Tatiana Szerwinski
Approved By

Jeff S. Muir
Approved By

OVERALL COMBINED DEBT PROFILE – WATER REVENUE BONDS

- The following sets forth the overall water system debt profile, both before and after the issuance of the 2020 Bonds

Fiscal Year	FY 2018/19 Net Revenue Available for Debt Service ¹	Total Existing			Change in Debt Service						2012 Bonds Debt Service Savings	Overall Debt Service Increase
		2012 Water Revenue Bonds	2018 Water Revenue Loan	Water Revenue Bonds	Unrefunded 2012 Water Revenue Bonds	2018 Water Revenue Loan	2020A Tax- Exempt New Money Bonds	2020B Taxable Refunding Bonds (Advanced Refund of 2012 Bonds)	Aggregate Total	Coverage		
	a	b	c	d = b+c	e	f	g	h	i = e+f+g+h	j=a/i	k = b-e-h	l = i-d
6/30/2021	\$ 8,260,154	\$ 2,199,600	\$ 2,316,925	\$ 4,516,525	\$ 837,000	\$ 2,316,925	\$ 858,972	\$ 1,184,046	\$ 5,196,942	1.59x	\$ 178,554	\$ 680,418
6/30/2022	8,260,154	1,630,350	2,322,833	3,953,183	267,750	2,322,833	1,070,000	1,183,809	4,844,391	1.71x	178,791	891,209
6/30/2023	8,260,154	2,647,600	1,338,886	3,986,486		1,338,886	1,070,000	2,298,273	4,707,158	1.75x	349,327	720,673
6/30/2024	8,260,154	2,653,350		2,653,350			1,890,000	2,305,816	4,195,816	1.97x	347,534	1,542,466
6/30/2025	8,260,154	2,645,600		2,645,600			1,897,200	2,300,026	4,197,226	1.97x	345,574	1,551,626
6/30/2026	8,260,154	2,649,850		2,649,850			1,897,800	2,301,410	4,199,210	1.97x	348,440	1,549,360
6/30/2027	8,260,154	2,650,350		2,650,350			1,897,000	2,302,448	4,199,448	1.97x	347,902	1,549,098
6/30/2028	8,260,154	2,647,100		2,647,100			1,894,800	2,301,180	4,195,980	1.97x	345,920	1,548,880
6/30/2029	8,260,154	2,651,500		2,651,500			1,896,200	2,302,473	4,198,673	1.97x	349,027	1,547,173
6/30/2030	8,260,154	2,651,000		2,651,000			1,896,000	2,301,244	4,197,244	1.97x	349,756	1,546,244
6/30/2031	8,260,154	2,646,250		2,646,250			1,899,200	2,297,421	4,196,621	1.97x	348,829	1,550,371
6/30/2032	8,260,154	2,647,250		2,647,250			1,895,600	2,300,936	4,196,536	1.97x	346,314	1,549,286
6/30/2033	8,260,154	2,653,500		2,653,500			1,890,400	2,306,496	4,196,896	1.97x	347,004	1,543,396
6/30/2034	8,260,154	2,649,500		2,649,500			1,898,600	2,299,920	4,198,520	1.97x	349,580	1,549,020
6/30/2035	8,260,154	2,650,500		2,650,500			1,894,600	2,301,390	4,195,990	1.97x	349,110	1,545,490
6/30/2036	8,260,154	2,646,000		2,646,000			1,893,800	2,300,630	4,194,430	1.97x	345,370	1,548,430
6/30/2037	8,260,154	2,646,000		2,646,000			1,901,000	2,296,493	4,197,493	1.97x	349,507	1,551,493
6/30/2038	8,260,154						4,195,800		4,195,800	1.97x	-	4,195,800
6/30/2039	8,260,154						4,196,600		4,196,600	1.97x	-	4,196,600
6/30/2040	8,260,154						4,196,400		4,196,400	1.97x	-	4,196,400
Total		\$ 43,565,300	\$ 5,978,643	\$ 49,543,943	\$ 1,104,750	\$ 5,978,643	\$ 42,129,972	\$ 36,884,011	\$ 86,097,376		\$ 5,576,539	\$ 36,553,434

¹ Per 2018/19 CAFR, page 163

BOND SUMMARY STATISTICS

Beverly Hills Public Finance Authority
 Series 2020A New Money (Tax-Exempt)
 Assumes AA+ Rating by S&P | Rates as of May 21, 2020
 Optional Redemption of June 1, 2030 at Par
 Preliminary, Subject to change

Dated Date	08/12/2020
Delivery Date	08/12/2020
Last Maturity	06/01/2040
Arbitrage Yield	1.568357%
True Interest Cost (TIC)	2.310682%
Net Interest Cost (NIC)	2.593755%
All-In TIC	2.352875%
Average Coupon	4.000000%
Average Life (years)	14.374
Duration of Issue (years)	11.359
Par Amount	26,750,000.00
Bond Proceeds	32,241,474.00
Total Interest	15,379,972.22
Net Interest	9,972,969.23
Total Debt Service	42,129,972.22
Maximum Annual Debt Service	4,196,600.00
Average Annual Debt Service	2,127,477.91

Bond Component	Par Value	Price	Average Coupon	Average Life
Series A (New Money) Serials	26,750,000.00	120.529	4.000%	14.374
	26,750,000.00			14.374

	TIC	All-In TIC	Arbitrage Yield
Par Value	26,750,000.00	26,750,000.00	26,750,000.00
+ Accrued Interest			
+ Premium (Discount)	5,491,474.00	5,491,474.00	5,491,474.00
- Underwriter's Discount	-84,471.01	-84,471.01	
- Cost of Issuance Expense		-151,882.42	
- Other Amounts			
Target Value	32,157,002.99	32,005,120.57	32,241,474.00
Target Date	08/12/2020	08/12/2020	08/12/2020
Yield	2.310682%	2.352875%	1.568357%

BOND DEBT SERVICE

Beverly Hills Public Finance Authority
 Series 2020A New Money (Tax-Exempt)
 Assumes AA+ Rating by S&P | Rates as of May 21, 2020
 Optional Redemption of June 1, 2030 at Par
 Preliminary, Subject to change

Period Ending	Principal	Coupon	Interest	Debt Service
06/30/2021			858,972.22	858,972.22
06/30/2022			1,070,000.00	1,070,000.00
06/30/2023			1,070,000.00	1,070,000.00
06/30/2024	820,000	4.000%	1,070,000.00	1,890,000.00
06/30/2025	860,000	4.000%	1,037,200.00	1,897,200.00
06/30/2026	895,000	4.000%	1,002,800.00	1,897,800.00
06/30/2027	930,000	4.000%	967,000.00	1,897,000.00
06/30/2028	965,000	4.000%	929,800.00	1,894,800.00
06/30/2029	1,005,000	4.000%	891,200.00	1,896,200.00
06/30/2030	1,045,000	4.000%	851,000.00	1,896,000.00
06/30/2031	1,090,000	4.000%	809,200.00	1,899,200.00
06/30/2032	1,130,000	4.000%	765,600.00	1,895,600.00
06/30/2033	1,170,000	4.000%	720,400.00	1,890,400.00
06/30/2034	1,225,000	4.000%	673,600.00	1,898,600.00
06/30/2035	1,270,000	4.000%	624,600.00	1,894,600.00
06/30/2036	1,320,000	4.000%	573,800.00	1,893,800.00
06/30/2037	1,380,000	4.000%	521,000.00	1,901,000.00
06/30/2038	3,730,000	4.000%	465,800.00	4,195,800.00
06/30/2039	3,880,000	4.000%	316,600.00	4,196,600.00
06/30/2040	4,035,000	4.000%	161,400.00	4,196,400.00
	26,750,000		15,379,972.22	42,129,972.22

SAVINGS

Beverly Hills Public Finance Authority
 Series 2020B Refund of 2012 Bonds (Taxable)
 Assumes AA+ Rating by S&P | Rates as of May 21, 2020
 Optional Redemption of June 1, 2030 at Par
 Preliminary, Subject to change

Date	Prior Debt Service	Refunding Debt Service	Unrefunded 2012 Bonds DS	Refunding Net Cash Flow	Savings	Present Value to 08/12/2020 @ 2.1656078%
06/30/2021	2,199,600.00	1,184,045.72	837,000.00	2,021,045.72	178,554.28	180,861.30
06/30/2022	1,630,350.00	1,183,808.66	267,750.00	1,451,558.66	178,791.34	176,063.56
06/30/2023	2,647,600.00	2,298,272.90		2,298,272.90	349,327.10	332,884.95
06/30/2024	2,653,350.00	2,305,815.90		2,305,815.90	347,534.10	323,905.98
06/30/2025	2,645,600.00	2,300,025.90		2,300,025.90	345,574.10	315,007.13
06/30/2026	2,649,850.00	2,301,410.20		2,301,410.20	348,439.80	310,598.32
06/30/2027	2,650,350.00	2,302,448.00		2,302,448.00	347,902.00	303,302.24
06/30/2028	2,647,100.00	2,301,180.40		2,301,180.40	345,919.60	294,948.34
06/30/2029	2,651,500.00	2,302,473.40		2,302,473.40	349,026.60	291,090.70
06/30/2030	2,651,000.00	2,301,243.70		2,301,243.70	349,756.30	285,262.58
06/30/2031	2,646,250.00	2,297,421.30		2,297,421.30	348,828.70	278,230.31
06/30/2032	2,647,250.00	2,300,936.20		2,300,936.20	346,313.80	270,130.56
06/30/2033	2,653,500.00	2,306,496.20		2,306,496.20	347,003.80	264,674.79
06/30/2034	2,649,500.00	2,299,920.20		2,299,920.20	349,579.80	260,717.30
06/30/2035	2,650,500.00	2,301,390.40		2,301,390.40	349,109.60	254,581.75
06/30/2036	2,646,000.00	2,300,629.60		2,300,629.60	345,370.40	246,250.83
06/30/2037	2,646,000.00	2,296,492.80		2,296,492.80	349,507.20	243,635.67
	43,565,300.00	36,884,011.48	1,104,750.00	37,988,761.48	5,576,538.52	4,632,146.31

Savings Summary

PV of savings from cash flow	4,632,146.31
Plus: Refunding funds on hand	162.35
Net PV Savings	4,632,308.66

SAVINGS

City of Beverly Hills Public Finance Authority
 2020 Lease Revenue Bonds (Federally Taxable)
 Advance Refund 2012 Lease Revenue Bonds
 AA+ Rating | Rates as of May 21, 2020
 Preliminary, Subject to Change

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 08/12/2020 @ 1.9262762%
06/01/2021	6,303,856.26	5,956,455.74	347,400.52	350,800.62
06/01/2022	6,867,656.26	6,489,774.56	377,881.70	371,362.09
06/01/2023	6,872,656.26	6,497,883.80	374,772.46	360,779.42
06/01/2024	6,865,981.26	6,489,833.40	376,147.86	354,519.84
06/01/2025	6,869,731.26	6,496,095.40	373,635.86	344,717.52
06/01/2026	6,875,731.26	6,497,619.50	378,111.76	341,398.89
06/01/2027	6,868,231.26	6,491,429.30	376,801.96	333,021.51
06/01/2028	6,872,231.26	6,497,622.00	374,609.26	324,054.55
06/01/2029	1,566,481.26	1,480,380.00	86,101.26	73,427.16
06/01/2030	1,571,062.50	1,486,116.00	84,946.50	71,011.53
06/01/2031	1,574,012.50	1,490,015.40	83,997.10	68,828.92
06/01/2032	1,570,331.26	1,487,018.20	83,313.06	66,916.23
06/01/2033	1,570,200.00	1,482,180.50	88,019.50	69,270.15
06/01/2034	1,573,600.00	1,486,107.30	87,492.70	67,474.66
06/01/2035	1,569,800.00	1,483,531.40	86,268.60	65,194.83
06/01/2036	1,579,000.00	1,494,541.40	84,458.60	62,542.39
06/01/2037	1,575,600.00	1,488,019.00	87,581.00	63,541.03
	68,546,162.60	64,794,622.90	3,751,539.70	3,388,861.34

Savings Summary

PV of savings from cash flow	3,388,861.34
Plus: Refunding funds on hand	3,860.10
Net PV Savings	3,392,721.44