



South Bayside Waste Management Authority

Discussion of the Refunding of the Series 2009A Bonds

Board of Directors Meeting

January 24, 2019



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A Limited Liability Company

Financing Objectives

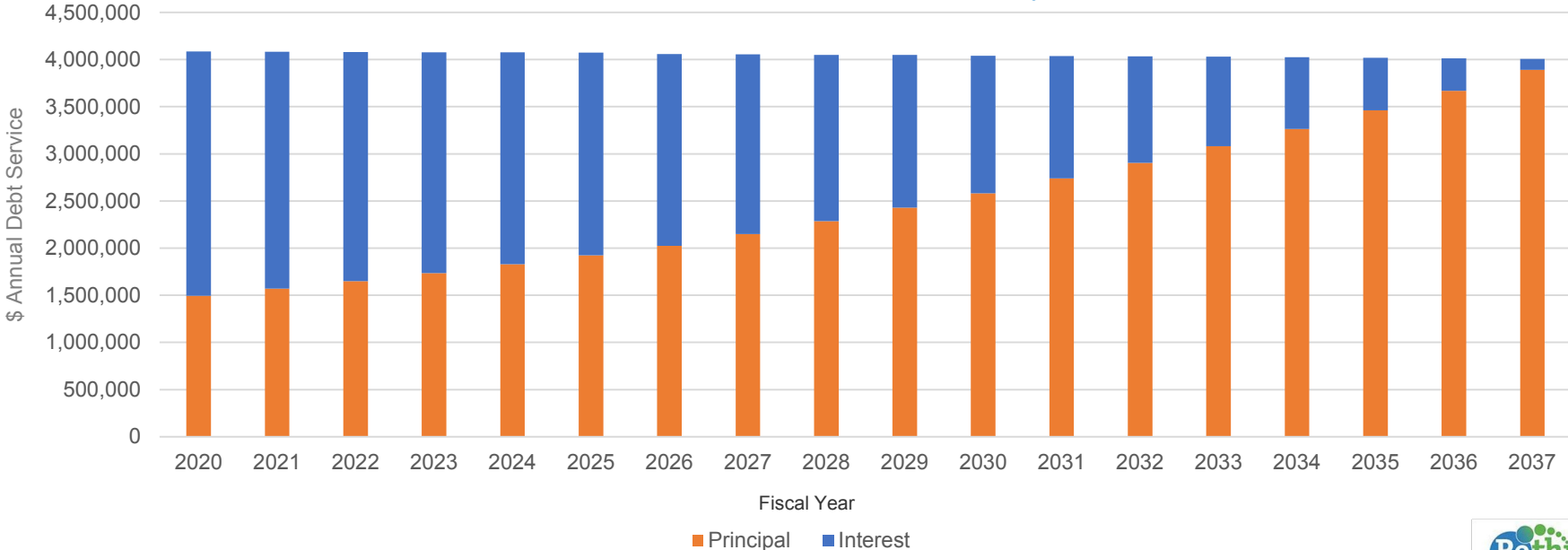
- Take advantage of a favorable interest rate environment to refund the Authority's outstanding Series 2009A Bonds and achieve debt service savings
- Evaluate opportunities to fund necessary capital investments into the Shoreway Environmental Center
 - Leverage savings to fund approximately \$10 million in capital
 - Issuance of additional “new money” bonds to finance a total of about \$20 million in capital

Solid Waste Enterprise Revenue Bonds, Series 2009A

- The Authority issued \$53,500,000 Solid Waste Enterprise Revenue Bonds, Series 2009A (“Series 2009A Bonds”) in September 2009 to finance the Shoreway Environmental Center
 - Outstanding principal amount of \$44,685,000
 - Annual debt service (principal and interest) payments of approximately \$4.1 million
 - Final maturity on September 1, 2036

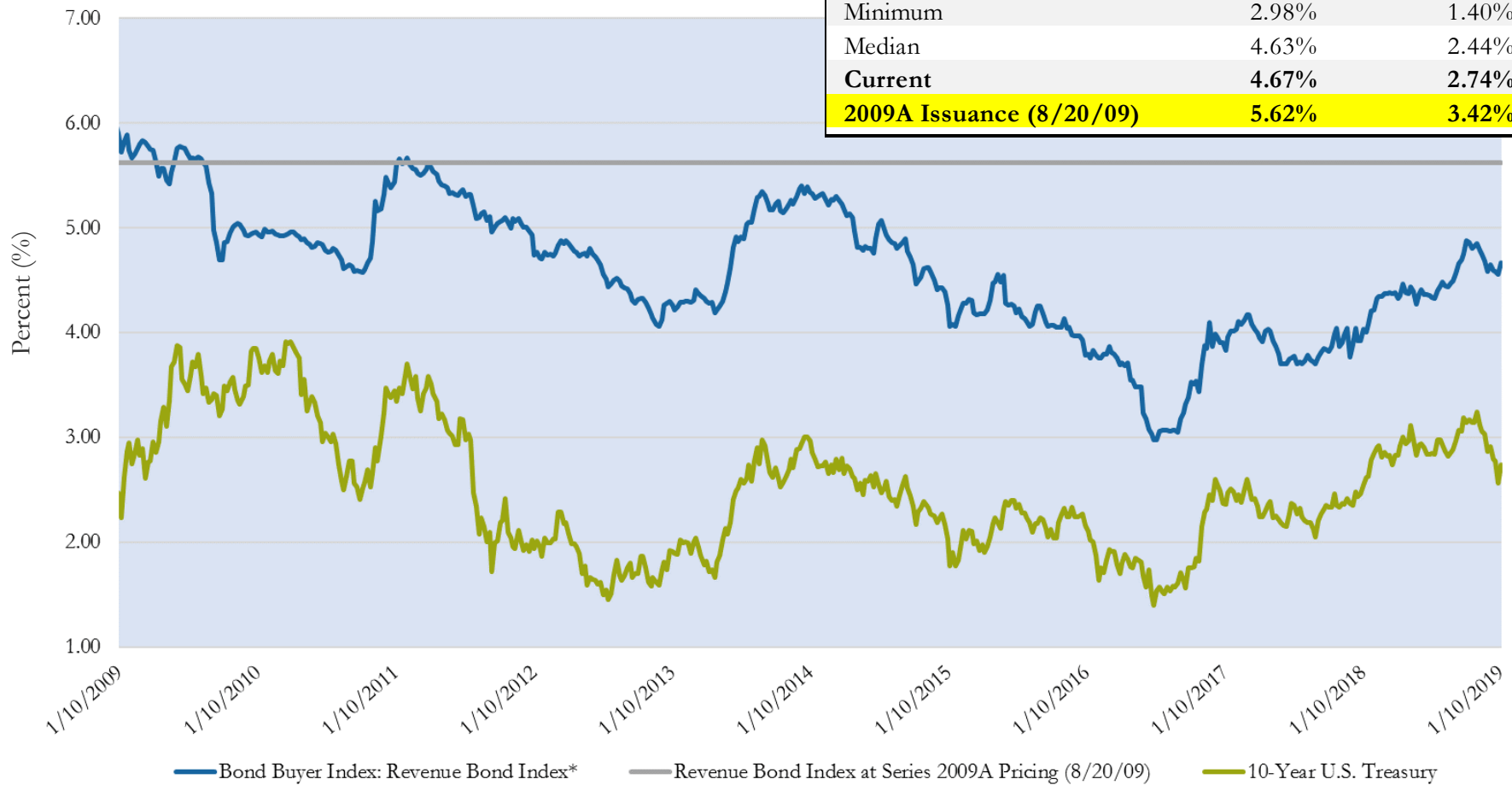
- The Authority can refund the Series 2009A Bonds to achieve debt service savings anytime after June 1, 2019 (90 days before the September 1, 2019 call date = current refunding)

Series 2009A Bonds: Annual Debt Service Payments



Current Market Rates Support a Refunding of the Series 2009A Bonds

	Revenue Bond Index*	10-Year U.S. Treasury
Maximum	6.39%	3.91%
Minimum	2.98%	1.40%
Median	4.63%	2.44%
Current	4.67%	2.74%
2009A Issuance (8/20/09)	5.62%	3.42%



*The Bond Buyer Revenue Bond Index consists of 25 various revenue bonds that mature in 30 years. The average rating is roughly equivalent to Moody's "A1" and S&P's "A+".

Source: Bond Buyer Index: Bond Buyer. 10-year Treasury Yield Curve: The Department of the Treasury.

Financing Alternatives

▪ Alternative 1

Refunding Savings & No New Capital

- Generates upfront savings in FY 2020 and achieves equal annual savings from FY 2021 through FY 2037 of about \$760,000 a year.

▪ Alternative 2

\$10MM New Money Proceeds through Savings

- Leverages savings from refunding to generate additional funds for capital projects
- Annual payments **and** bond term consistent with prior debt service (before refunding)

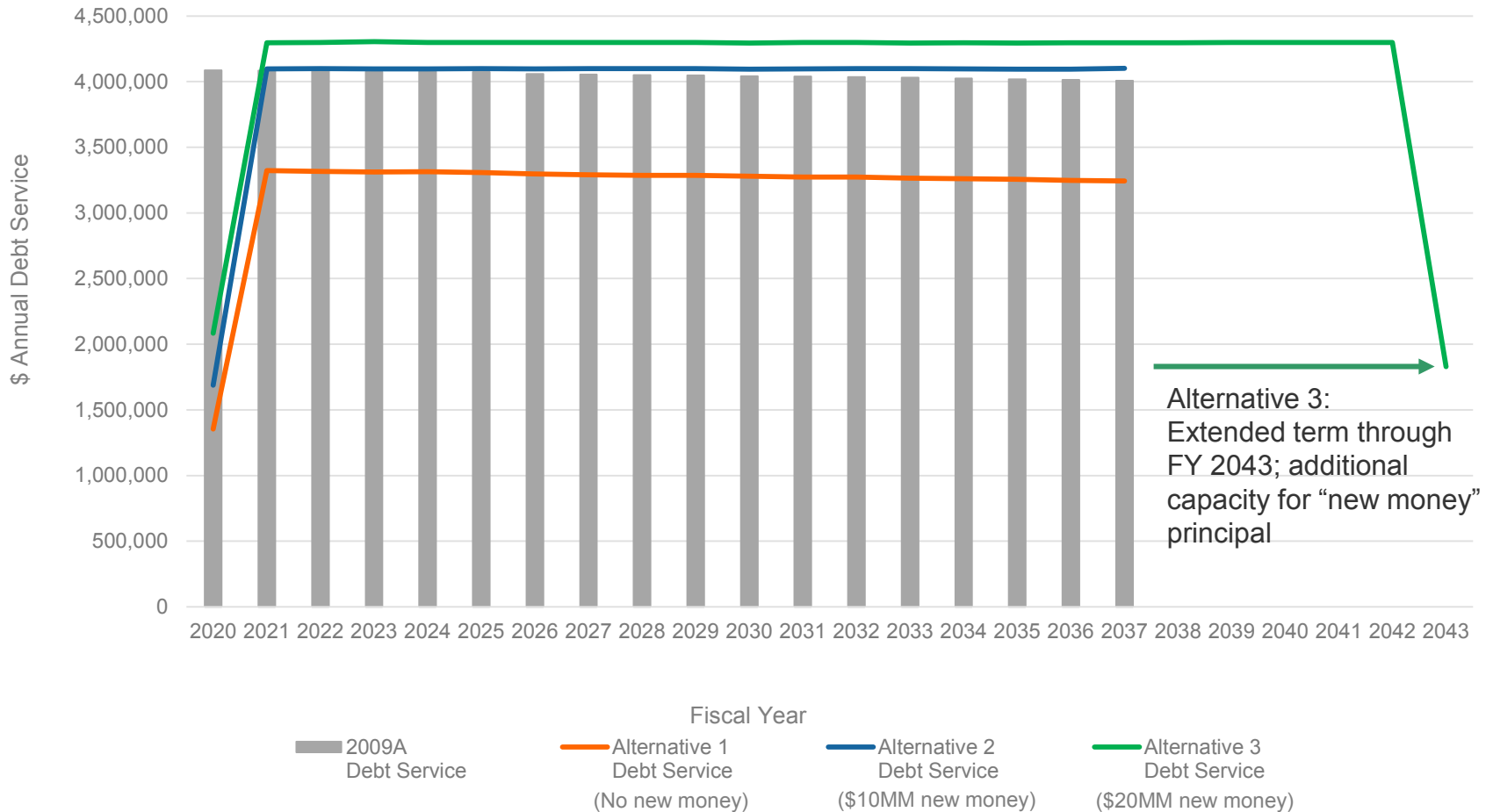
▪ Alternative 3

\$20MM New Money Proceeds through Savings and Additional Debt

- Issues additional “new money” bonds in addition to redeploying savings for capital
- “Wraps” new money bonds around refunding bonds to achieve new money debt service that is approximately \$200,000 greater annually than current debt service (\$4.3 million versus \$4.1 million)
- Bond term extended another six years to FY 2043

Debt Service Schedules: Status Quo and Financing Alternatives

Annual Debt Service Payments



Summary of Refunding and New Money Results*

	<u>Status Quo:</u> Series 2009A Bonds	<u>Alternative 1:</u> Refunding No New Capital	<u>Alternative 2:</u> Refunding \$10MM Capital	<u>Alternative 3:</u> Refunding \$20MM Capital
Refunding Present Value Savings:				
Par Amount of Refunded Bonds:	--	\$44,685,000	\$44,685,000	\$44,685,000
Percentage Savings of Refunded Bonds:	--	22.925%	22.964%	22.631%
Net PV Savings:	--	\$10,243,915	\$10,261,465	\$10,112,762
New Money Proceeds:				
Capital Proceeds from Savings:	--	--	\$9,727,997	\$9,727,997
Capital Proceeds from Additional Bonds:	--	--	\$0	\$10,794,079
Total New Money Proceeds:	--	--	\$9,727,997	\$20,522,076
Estimated Par Amount Outstanding at 6/30/2019	\$44,685,000	\$37,680,000	\$46,930,000	\$57,940,000
Debt Service Payments:				
Final Debt Term:	FY 2037	FY 2037	FY 2037	FY 2043
Total Debt Service:	\$72,890,175	\$57,185,933	\$71,345,926	\$98,452,481
Difference from the Status Quo:		(\$15,704,242)	(\$1,544,249)	\$25,562,306
Average Annual Debt Service:	\$4,049,454	\$3,321,009	\$4,143,335	\$4,240,088
Difference from the Status Quo:		(\$728,445)	\$93,881	\$190,634
Near-Term Debt Service				
FY 2020	\$4,087,125	\$1,355,433	\$1,688,176	\$2,084,231
FY 2021	\$4,083,538	\$3,322,125	\$4,096,625	\$4,296,125
FY 2022	\$4,079,013	\$3,316,625	\$4,099,500	\$4,297,500
FY 2023	\$4,075,156	\$3,312,500	\$4,097,625	\$4,304,875
FY 2024	\$4,076,575	\$3,314,375	\$4,095,875	\$4,298,250
Total Through FY 2024 (First 5-years):	\$20,401,406	\$14,621,058	\$18,077,801	\$19,280,981

*Assumes current Authority credit ratings and market conditions as of 1/14/2019. Preliminary and subject to change based on tax-exempt interest rate movements.

Key Bonding Assumptions

- **Offering Type:** Fixed rate, public issuance (sold to investors by an underwriter)
- **Security Type:** Solid Waste Enterprise Revenue Bonds (consistent with Series 2009A Bonds) rather than Certificates of Participation (COPs); while COPs might avoid the need for 2/3rd member approval, as required by the Authority's founding agreement, they would likely bear some additional interest cost
- **Ratings:** A1 (Moody's) / A- (S&P); 2019 transaction ratings to be confirmed
- **Closing Date:** June 12, 2019
- **Call Date:** September 1, 2029 (10-year par call)
- **Final Maturity:** September 1, 2036 (17-year term); exclusive of Alternative 3
- **Issuance Expenses:** COI of \$350,000 and UW Discount of \$5 per bond (estimate; fees to be finalized through RFP process and subject to Board approval)
- **Debt Service Reserve Fund (DSRF):** Contribution of cash DSRF associated with the Series 2009A Bonds at current amount
 - New cash DSRF sized for the refunding bonds (conservative approach; may be possible to utilize a reserve fund surety)

Preliminary Financing Observations and Considerations

- Preliminary results reflect market conditions on January 14, 2019
 - Changes to interest rates over the course of the financing process will impact savings levels and estimated project fund sizing
- Financing alternatives are subject to detailed tax analysis by Bond Counsel
 - **Tax Treatment:** The tax status of Alternative 2 and Alternative 3 new money scenarios is assumed to be Tax-Exempt AMT (slightly higher interest rates than refunding bonds) – subject to Bond Counsel detailed review
 - **Average Life Restrictions:** IRS requires that the average life of a bond issuance not exceed 120% of the useful life of the asset being financed; the Alternative 3 deferred structure will need further analysis to ensure the approach complies with tax restrictions

Anticipated Financing Timeline and Approval Dates

Financing Timeline and Key Milestones

- **January 2019**
 - Assemble financing team (SBWMA, KNN, Bond/Disclosure Counsel, Underwriter)
- **February 2019 – April 2019**
 - Develop legal and disclosure documents necessary for issuance
- **Week of April 29th**
 - Rating agency meeting(s)
- **Week of May 20th**
 - Post POS
- **Week of May 27th**
 - Price Refunding Bonds
- **Week of June 10th**
 - Close Refunding Bonds

Financing Approval Dates

- **January 10th and February 14th**
 - Finance Committee Meetings
- **January 24th**
 - Board of Directors Meeting
 - Staff/KNN provide overview of Refunding Bond financing and seek approval to proceed with debt offering
- **February 28th**
 - Board of Directors Meeting
 - Approval of Bond and Disclosure Counsel contract and Underwriter appointment
- **April 11th**
 - Finance Committee Meeting
- **April 25th**
 - Board of Directors Meeting
 - Approval financing resolution and form of bond and disclosure documents
- **Weeks of April 29 – May 13**
 - Member Agency approval meetings