



December 8, 2016

Agenda Item # **13**

PROPOSED EXTENSION OF THE 2009C STANDBY BOND PURCHASE AGREEMENT

Action Requested: Authorize Staff

Key Staff: Timothy Jones, Accounting Manager

Recommendation

Authorize staff to execute an extension of the 2009C Standby Bond Purchase Agreement (SBPA).

Background

The 2009C series bonds are Variable Rate Demand Bonds for which the interest rate resets weekly to ensure that the effective interest rate during the 30-year term of the bonds will approximate 3.71 percent. An SBPA provides a form of liquidity in which the provider promises to purchase and hold the bonds if they are not sold to investors during the normal remarketing process. Without such liquidity protection, a failure to remarket the bonds would require the STA to buy them back from investors. The SBPA for the 2009C series bonds is due to expire February 28, 2017.

Discussion

Our financial consultant, Public Finance Management (PFM), is currently assisting STA staff with cash flow projections. This effort will take 2-3 months and result in a summary identifying when and how much funding will be needed to pay for upcoming capital expenditures. Based on those projections, PFM may recommend some changes to the SBPA and undertake an effort to free up roughly \$8 million held in reserve. This may be possible given the STA's credit history and current ratings. Therefore, STA staff met with representatives from U.S. Bank which holds the SBPA to investigate the possibility of an extension of the current agreement while STA staff, with the help of PFM, determine the best course of action. Bank officials were amenable to a six-month extension.