



JUNE 8, 2017

AGENDA ITEM # 6

**EXTENSION OF DIRECT PURCHASE AGREEMENT FOR SERIES 2014A BONDS AND
STANDBY BOND PURCHASE AGREEMENT FOR SERIES 2009C BONDS**

Action Requested: Authorize Executive Director

Key Staff: Norman Hom, Executive Director (Interim)

Recommendation

Authorize the Executive Director to execute extensions of:

- Direct Purchase Agreement for Series 2014A Bonds with Wells Fargo Municipal Capital Strategies, LLC (Wells Fargo), and
- Standby Bond Purchase Agreement for Series 2009C Bonds with U.S. Bank National Association (US Bank).

Background Information

On August 21, 2014, the STA Board approved a three-year Direct Purchase Agreement with Wells Fargo for the \$106.1 million Series 2014A (formerly Series 2009A) bonds at a total net annual cost of 35 basis points. The direct purchase stabilizes the borrowing costs to the STA, eliminates the remarketing fees associated with floating rate notes, and removed the reserve requirement, freeing up millions of dollars for Measure A capital projects. The Agreement will expire September 3, 2017.

Also, on December 8, 2016, the STA approved a six-month extension of the expiring Standby Bond Purchase Agreement (SBPA) for the \$106.1 million Series 2009C bonds to provide our financial advisor time to review projected cashflows and funding needs and make recommendations for changes to the SBPA, if any, in that context. The cashflow analysis is ongoing and the SBPA will expire August 4, 2017.

Discussion

Direct Purchase Agreement. Wells Fargo has agreed to extend the existing Direct Purchase Agreement for three years at the same rate of 35 basis points (0.35%) annually. According to our financial advisor, Public Financial Management (PFM), this is a competitive rate, and PFM will document that conclusion with supporting comparable market data. The terms and conditions offered are substantively the same but will be subject to review by STA's bond counsel, Orrick,

Herrington & Sutcliffe and the Authority's General Counsel. By extending under the same substantive terms and conditions at a competitive market rate, the Authority keeps in place a well-structured agreement and avoids the added cost of legal and financial fees involved with implementing a new agreement.

Standby Bond Purchase Agreement. US Bank has agreed to extend the existing SBPA with the Authority for six additional months, beginning August 4, 2017 into February of 2018. The price and terms and conditions under the existing SBPA will remain unchanged, with the only amendment being the extended expiration date. The existing fee of 34 basis points (.034%) remains in place and, based upon advice from PFM, is a competitive rate. PFM will document this conclusion with comparable market data. This extension will provide the Authority the needed time in 2017 to gain a full understanding of funding needs and financial resources available to deliver projects under Measure A. Based on that financial analysis, the Authority and Board can make a longer-term decision to extend this SBPA ahead of the February 2018 expiration date.

Peter Shellenberger, PFM Managing Director, or Darren Hodge, PFM Director will be making a presentation explaining the Direct Purchase Agreement and the Standby Bond Purchase Agreement and will answer any questions you have.

c: Jenna Magan – Orrick, Herrington & Sutcliffe