



**MAY 10, 2018**

**AGENDA ITEM # 10**

**REPLACEMENT STANDBY BOND PURCHASE AGREEMENT FOR THE SERIES 2015A BONDS AND RELEASE OF THE SERIES 2009C RESERVE FUND**

Action Requested: Approve

Key Staff: Timothy Jones, Accounting/Finance Manager

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**Recommendation**

Approve the following transactions:

- Replace Mizuho Standby Bond Purchase Agreement (SBPA) with five-year Standby Bond Letter of Credit (SBLOC) from Sumitomo Mitsui Banking Corporation for the Series 2015A bonds
- Release \$7.1 million Series 2009C reserve fund

**Background Information**

The Authority's debt portfolio consists of four bond issuances; Series 2009C, Series 2012, Series 2014A, and Series 2015A. In total, the Authority currently has \$364.6 million in debt outstanding, of which \$318.3 is variable rate demand bonds (VRDB). Given some volatility to variable interest bonds, the Authority entered into interest rate swaps which synthetically fix the interest rate paid by the Authority. VRDBs require a liquidity facility, which is held by a commercial bank, to ensure that in the event there is not sufficient investor demand for them, the bank buys and holds them until there is. Since program inception, there has always been sufficient demand for the Authority's bonds.

**Discussion**

The current SBPA provider for the Series 2015A Bonds is Mizuho Bank; however the bank notified the Authority that it is exiting the liquidity facility market. The current liquidity facility, which expired in March 2018, was extended through July 2018 to allow sufficient time to hire a new provider. The Authority issued a request for bids in December 2017; receiving responses on January 3, 2018. The most competitive bid was from Sumitomo Mitsui Banking Corporation (Sumitomo) which offered an annual rate of .38% or 38 basis points for a five-year term. Based on the competitive responses, the Authority's staff and financial team recommended to the Board on February 8, 2018 that Sumitomo be selected as the winning proposal. If approved, the new SBLOC will become effective May 15, 2018.

When the Series 2009C bonds were issued, it was common for investors to require a reserve fund. However, in the current market, highly rated agencies like the Authority, are no longer required to post a reserve. By providing notice to bondholders in accordance with the indenture, STA is able to amend the indenture to allow for the release of those funds. The Authority's financial consulting team, bond legal counsel, and staff worked with US Bank, the provider of the SBPA for the Series 2009C bonds, to consent to such amendment. Concurrent with the amendment, US Bank has also agreed to extend the SBPA. Currently the reserve fund holds \$7.1 million, money that can be used for projects once released, subject to tax requirements. If approved, the transaction will be completed on May 24, 2018 and the funds released shortly thereafter.

During the last several months, the documents attached have been in development. All appropriate parties have reviewed the documents including bond and financial institution legal counsel, the Authority's general counsel, our financial advisory team, and Authority staff. As such, we are presenting the package today for your review and approval.

Today, Bob Gamble, Managing Director, PFM Financial Advisors, will provide a brief presentation about the Authority's bond program and proposed transactions. Subsequently, bond legal counsel, Jenna Magan, Partner, Orrick, Herrington & Sutcliffe, will walk you through the attached legal documents. Both can address any questions you have regarding the proposed transactions and related documentation.

#### Attachments

- Memo from PFM
- STA Resolution Series 2009C Bonds
- STA Resolution Series 2015A Bonds
- Standby Letter of Credit (SBLOC) for Series 2015A bonds
- SBLOC and Fee Agreement for Series 2015A bonds
- 5<sup>th</sup> Amendment to the SBPA for the Series 2009C Bonds
- 1<sup>st</sup> Amendment of the Series 2015A Official Statement
- 6<sup>th</sup> Supplemental Indenture for the Series 2009C bonds
- 2<sup>nd</sup> Amendment to the Series 2009C Remarketing Memorandum