

August 10, 2018

## Executive Summary

### Resolution No. 19-97 - Certificates of Participation, Series 2018A, Refunding Series 2015C Floating Rate Note (FRN)

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#### **Summary of Explanation and Background**

The District has two (2) variable rate Certificates of Participation financings outstanding, Series 2015C and Series 2014A. The nature of these financings is that every three (3) years the structure of the financing is reviewed and new terms and conditions are negotiated (commonly referred to as a remarketing). The Certificates of Participation, Series 2006B, now known as Series 2015C after several remarketings, in the par amount of approximately \$65 million, must be renegotiated by September of 2018. At the request of the Treasurer, the District's financial advisors, PFM Financial Advisors, LLC, distributed a request for proposals to lending institutions in June 2018.

#### **Summary of Proposals**

The District's financial advisors summarized the proposals and worked with staff to narrow down the responsive list of banks to the lowest all-in cost providers. It is worth noting that this is the District's first financing since the recent tax reform where the corporate tax was decreased to 21 percent, lowering the demand of bonds by institutions and investors. In addition, we are now in a rising rate market. These two (2) factors mean that we generally expect rates to be higher than what we realized six (6) to twelve (12) months ago. In any event, the proposals received were competitive and the District received five (5) strong proposals. Proposals were received from the following firms: J.P. Morgan, PNC Financial Services, Wells Fargo, Sumitomo Banking Corporation (SMBC) and U.S. Bank. The primary factor for selection of the firm is the net interest cost to the District. After a detailed analysis and reviewing of fees, net interest cost and risks, staff and the District's financial advisors concurred that Wells Fargo is the optimal counterparty.

Wells Fargo proposed the following:

- **Rate Structure: 79 percent of 1-month LIBOR (London Bank Offered Rate) plus 43 basis points**

Other proposals offered the following:

<b>Firm</b>	<b>Structure</b>
J.P. Morgan	79% of 1- month LIBOR plus 57.5 Basis pints
PNC Bank	80% of 1- month LIBOR plus 48 basis points
SMBC	Did not offer LIBOR option
US Bank	80% of 1-month LIBOR plus 45 basis points

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**Current provider/rate:**

**U.S. Bank - 70% of 1 - month LIBOR plus 38 basis points**

**Conclusion**

Based on the current and future market conditions, along with the analysis by the Treasurer's Office and the District's financial advisors, it is recommended that the Board approve the proposal from Wells Fargo. Wells' proposal is the least volatile structure and the most cost-effective option and, compared to the second best proposal from U.S. Bank, the District will save approximately \$37k for the three-year contract term.

The Financial Advisory Committee concurs with staff's recommendation.