

MEMORANDUM

TO: Matt Busby, Assistant City Manager
FROM: Eric McGlothlin
DATE: November 6, 2019
RE: Resolution No. 19-29 Authorizing execution and delivery of tax-exempt pledged revenue obligations

At its Tuesday, November 19, 2019 regular meeting, the City Council will consider adopting Resolution No. 19-29 (the “Resolution”) authorizing the execution and delivery of Pledged Revenue Refunding Obligations, Series 2019 (the “2019 Obligations”) in an aggregate principal amount of up to a maximum of \$1,900,000. This refinancing is recommend so that the City can save at least \$140,000 in interest payments.

Purpose of 2019 Obligations

The 2019 Obligations are to be issued for the purpose of refinancing the costs of the expansion and renovation of the City’s Public Library, which improvements were financed in 2007 with the proceeds of a loan (the “Loan”) from the Greater Arizona Development Authority.

Resolution No. 19-29

Primarily, the Resolution authorizes the refinancing of the Loan with the proceeds of the 2019 Obligations, approves the forms of legal documents that structure the execution and delivery of such obligations, and pledges the City’s unrestricted excise taxes, state shared revenues and other non-property tax revenues (collectively, the “Pledged Revenues”) to repayment of the 2019 Obligations.

To provide the City with the most legal flexibility with respect to the sale of the 2019 Obligations, the Resolution establishes certain parameters within which the 2019 Obligations can be issued and delegates authority to the City Manager and the Assistant City Manager (the “Authorized Officer”) to determine and sell the 2019 Obligations on the most advantageous terms. Pursuant to the Resolution, the 2019 Obligations may be issued in a principal amount not-to-exceed \$1,900,000; may bear interest at rates not to exceed 3%; may be repaid over not more than 7 years; and must generate savings of at least 3% or more of the amount of the Loan that is being refinanced.

Purchase Agreement & Trust Agreement

Under Arizona law, the 2019 Obligations must be executed and delivered by a trustee, in this case U.S. Bank, pursuant to a Trust Agreement and Purchase Agreement, and the Resolution approves such agreements.

Under the Purchase Agreement, the City sells the 2007 Project (the Library improvements financed by the Loan) to the Trustee in exchange for: (i) the Trustee’s execution and delivery of the 2019 Obligations; and (ii) the Trustee’s application of the proceeds to prepayment of the Loan. Simultaneously, the Trustee resells the 2007 Project to the City in exchange for the City’s agreement to make Payments to the Trustee in amounts sufficient to pay the principal of and interest on the 2019 Obligations. The Purchase Agreement

establishes by contract that the 2019 Obligations will be paid by the City from the Pledged Revenues (i.e., sales taxes) only.

The Trust Agreement establishes the legal and financial structure for accomplishing the refinancing of what is left of the original Loan.

Letter of Instruction

The Letter of Instruction simply directs the Trustee as to the deposit of 2019 Obligation proceeds and the application of such proceeds to the prepayment of the Loan on a specified date.