Meeting date: February 6, 2019

Item 10. D. Adopt Resolution #04-2019 Resolution Authorizing the Issuance of 2020 General Obligation Refunding Bonds

Presented by: Chief Business Official Connie Ngo

Classification: Business of the Organization

Materials attached: Yes

ACTION

Action

District administration recommends adoption of Resolution #04-2019: Authorizing the Issuance of the 2020 General Obligation Refunding Bonds.

The refunding bonds are referred to as "2020 Refunding Bonds" because these bonds will be sold at the same time as the Measure Z bonds. The refunding transaction will not close until late Spring 2020.

Supplemental materials such as the Purchase Contract, Preliminary Official Statement, and the Escrow Agreement are available at the District Office and at this evening's meeting for review.

Background

An Election was held in the Portola Valley School District (the "District") on November 6, 2001 for the issuance and sale of general obligation bonds of the District for various purposes in the maximum principal amount of $6,000,000 (the "2001 Authorization"). The District has previously caused the issuance of its 2010 General Obligation Refunding Bonds, Series B (the "2010 Bonds") to refinance a separate series of then-outstanding bonds issued pursuant to the 2001 Authorization.

The District now desires to refinance portions of the outstanding 2010 Bonds through the issuance of general obligation refunding bonds (the "Refunding Bonds") in an aggregate principal amount not-to-exceed $5,000,000. The refinancing is intended to generate debt service savings, with all benefits from the refunding delivered to the property owners in the District. The final maturity of the Refunding Bonds will not be later than the maturity dates of the 2010 Bond (August 1, 2031).

(a) Resolution. This Resolution authorizes the issuance of the Refunding Bonds on a forward delivery basis, in one or more series of federally taxable or federally tax-exempt bonds, specifies the basic terms, parameters and forms of the Refunding Bonds, and approves the form of Purchase Contract, Continuing Disclosure Certificate, Escrow Agreement and Preliminary Official Statement described below. In particular, Section 1 of the Resolution establishes the maximum aggregate principal amount of the Refunding Bonds to be issued ($5,000,000). Section 4 of the Resolution states the maximum underwriting discount (0.325%) with respect to the Refunding Bonds, and authorizes the Refunding Bonds to be sold at a negotiated sale to Piper Jaffray & Co. (the "Underwriter"). The Resolution authorizes the issuance of current interest bonds only; capital appreciation bonds are not authorized.

(b) Form of Purchase Contract. Pursuant to the Purchase Contract, the Underwriter will agree to buy the Refunding Bonds from the District. All of the conditions of closing the transaction are set forth in this document, including the documentation to be provided at the closing by various parties. Upon the pricing of the Refunding Bonds, the final execution copy of the Purchase Contract will be prepared following this form.

(c) Form of Preliminary Official Statement. The Preliminary Official Statement (the "POS") is the offering document describing the Refunding Bonds which may be distributed to prospective purchasers of the Refunding Bonds. The POS discloses information with respect to, among other things, (i) the proposed uses of proceeds of the Refunding Bonds, (ii) the terms of the Refunding Bonds (interest rate, transfer terms, etc.), (iii) the bond insurance policy for the Refunding Bonds, if any, (iv) the security for repayment of the Refunding Bonds (the *ad valorem* property tax levy), (v) information with respect to the District's tax base (upon which such *ad valorem* property taxes may be levied), (vi) District financial and operating data, (vii) continuing disclosure with respect to the Refunding Bonds and the District, and (viii) absence of litigation and other miscellaneous matters expected to be of interest to prospective purchasers of the Refunding Bonds. Following the pricing of the Refunding Bonds, a final Official Statement for the Refunding Bonds will be prepared, substantially in the form of the POS.

(d) Form of the Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate can be found in APPENDIX C to the POS.

Effective July 3, 1995, all underwriters of municipal bonds, are obligated to procure from a bond issuer a covenant that such public agency will annually file "material financial information and operating data with respect to the District" through the web-based Electronic Municipal Market Access ("EMMA") system maintained by the Municipal Securities Rulemaking Board (which is the federal agency that regulates "broker-dealers," including investment bank firms that underwrite municipal obligation issuance). This requirement is expected to be satisfied by the filing of the District's audited financial statements and other operating information about the District, in the same manner the District has filed in connection with 2010 Bond issuances. The purpose of the law is to provide investors in the Refunding Bonds with current information regarding the District. Similar laws have governed the corporate debt market for many years.

(e) Escrow Agreement. Pursuant to the Escrow Agreement, proceeds from the sale of the Refunding Bonds in an amount sufficient to redeem the 2010 Bond will be deposited in an escrow fund (the "Escrow Fund") held by The Bank of New York Mellon Trust Company, N.A. (acting as "Escrow Agent"). The monies in the Escrow Fund will be used by the Escrow Agent to refund all or a portion of the 2010 Bond on the first available redemption date for the 2010 Bond following the closing of the Refunding Bonds (August 1, 2020). As a result of the deposit and application of funds so provided in the Escrow Agreement, the 2010 Bond will be defeased and the obligation of San Mateo County to levy *ad valorem* property taxes for payment of the 2010 Bond will cease.

Fiscal Impact

There is no fiscal impact to the General Fund resulting from the issuance of the Refunding Bonds.