



# CITY COUNCIL STUDY SESSION MINUTES

## STUDY SESSION

Minutes

Tuesday, May 2, 2006

7:00 p.m.

City of Menlo Park

The Menlo Park City Council Chambers

701 Laurel Street

Menlo Park, CA 94025

**A. ROLL CALL** - Jellins, Fergusson, Cohen, Duboc, Winkler

**STAFF PRESENT** - City Manager Dave Boesch, City Attorney Bill McClure, and City Clerk Silvia Vonderlinden.

### B. PUBLIC COMMENT

Dick Givens invited residents and other interested parties to participate in an emergency preparedness exercise that will take place on May 11, 2006 at the Council Chambers.

Jim Bigelow, with time donated by Fran Dehn, spoke about the Transportation Authority (TA) Strategic Plan, which will be updated every five years. That body is in the process of adopting policies and criteria for judging project's worthiness. He outlined ongoing projects for consideration, saying that at the TA Board meeting in October it would have a draft of where the projects would go for the next five-years.

### C. STUDY SESSION

1. Information, discussion and possible direction on the refinancing of the Community Development Agency Redevelopment Bonds.

Carol Augustine, Finance Director, presented the report saying this is an opportunity to produce savings in the effective interest rates of the Agency's outstanding debt without extending the term of the debt. Ms. Augustine added that the financing team has been steadily working on developing a bond structure and package that best suits the needs of the Agency. She added that staff is proposing synthetic fixed rate financing, which through the use of an interest rate swap contract, allows the agency to issue debt at a more advantageous rate than traditional fixed rate bond financing without the inherent interest rate risks that a variable interest rate bond would have.

Mr. Mark Curran, managing director with Piper Jaffray, explained that the savings on a net basis will be over \$4 million by refinancing all of the Agency's outstanding bonds issued in 1996 and 2000, but one basis point of interest rate in the wrong direction costs Menlo Park about \$70,000 on this refinancing. He provided history and details on the transactions that are being proposed saying that the growth of the project area has slowed down considerably.

Mr. Curran added that the issue in January 1996 was originally \$32 million and now is down to about \$25 million with a final maturity in 2022. The issue in October of 2000 was originally \$44 million and is now down to about \$43 million. Most of the principle amortization has been taking place in the older issue. The savings will be taken over the next ten years in the amount of about \$350,000 to \$400,000 per year. The debt service would then be a little bit lower. With the refinancing, the 1996 bonds would be paid off, but the 2000 bonds can't be paid off until 2010. An advanced refunding would take place where the Agency goes out and purchases U.S. Treasuries, which would secure the old bonds. The only debt would then be the new financing.

The Redevelopment Agency has a triple B rating. It is the highest rating of any redevelopment agency with the kinds of concentration that Menlo Park has in the whole country. The synthetic rate is what makes this work. The agency accepts the tax rate risk, and the investor looks at the way the loan is structured in which the inherent underlying rate may change over time based on tax status.

Mr. Curran explained the structure of and interest rate advantages of this type of refinancing. The Council is entitled to rely on the advice of Ms. Augustine, Mr. Boesch and their analysis with respect to the risk in making a policy decision. There are also independent advisors that are not compensated on the basis of whether or not the financing goes through. The goal is to price the "swap" on May 11<sup>th</sup> and the actual closing would be at the end of May, tentatively around May 25<sup>th</sup>. If the net present value of the total savings is greater than \$2.2 million, the recommendation is that the City proceeds. The City and the Community Development Agency formed a Joint Powers Authority by which these basic, core ways of issuing debt can be used.

Ms. Augustine said the next steps in the refinancing process are that the finance team will continue in the next few days to pull together the documents and then return next week with what needs Council approval, as well as a request that the City Manager be authorized to execute the sale of the bonds and to execute the agreement for the swap.

**D. ADJOURNMENT – the meeting adjourned at 8:45 p.m.**

Respectfully submitted,

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Silvia M. Vonderlinden, Certified Municipal Clerk

Approved at the Council Meeting of October 10, 2006.