

South Portland City Council
Position Paper of the City Manager

Subject:

ORDINANCE #8-13/14 – Authorizing refunding bonds in an amount not to exceed \$1,890,000. First reading. Passage requires majority vote.


Position:

The City has a bond issue that is a good candidate to be refunded at this time. The City's bond council has drafted the proposed bond ordinance to authorize the Finance Director to proceed with a current refunding for this issue. Market conditions are presently in a position that it makes sense to do a refunding on the 2004 General Obligation Taxable bonds issued in January 2004. These bonds were issued to provide funding for the City's unfunded pension obligations to Maine State Retirement System and were approved by voters by referendum held on November 4, 2003. The City anticipates a present value (PV) savings of about \$100,680. Remember the savings are estimates based on a point in time and rates may change resulting in a change of savings.

It is recommended that we refund these bonds concurrently with the financing of the remaining \$9,000,000 for the High School project. A joint financing will save issuance costs and increase the savings on the refunding. We anticipate that the issue will be done as a competitive sale. The ordinance will also provide the necessary section 612 disclosure needed on the refunding issue. Both the Finance Director and I feel a current refunding should be considered. Greg L'Heureux will be available for any questions on refunding these bonds.

Requested Action:

Council passage of first reading and set March 3, 2014 for second reading and action.


City Manager



CITY OF SOUTH PORTLAND

GERARD A. JALBERT
Mayor

JAMES H. GAILEY
City Manager

SUSAN M. MOONEY
City Clerk

SALLY J. DAGGETT
Jensen Baird Gardner & Henry

IN CITY COUNCIL

ORDINANCE #8-13/14

BOND ORDINANCE AUTHORIZING REFUNDING BONDS
IN AN AMOUNT NOT TO EXCEED \$1,890,000

WHEREAS, the City has previously issued its \$8,200,000 General Obligation Taxable Bonds dated January 15, 2000(the "Prior Bonds"); and

WHEREAS, due to a drop in interest rates, the City desires to refinance an amount up to \$1,890,000 principal amount of the Prior Bonds through a current refunding in order to obtain debt service savings on the Prior Bonds;

NOW, THEREFORE, the Council of the City of South Portland hereby ordains:

1. There be and hereby is authorized, pursuant to the provisions of 30-A M.R.S. §5772, the issue and sale of the City's general obligation taxable refunding bonds in the aggregate principal amount not to exceed One Million Eight Hundred Ninety Dollars (\$1,890,000) to refinance the Prior Bonds through a current refunding.

2. That the Director of Finance be and hereby is authorized to prepare, issue, and sell such bonds in the aggregate amount not to exceed \$1,890,000 (the "Bonds") at one time, or from time to time, as one or more separate bond issues;

3. That such bonds shall be dated the date of their delivery and shall mature \$630,000 principal amount on March 1, in each of the years 2015 through 2017.

4. That all such bonds shall be fully registered bonds in the denomination of \$5,000 and any multiple thereof, shall bear interest at such rate or rates as may be designated by the successful bidder therefor and approved unanimously by the Mayor and Chairman of the City Council, the City Manager and the Director of Finance, payable semi-annually on the first day of March and September of each year, beginning September 1, 2014 to the registered owner on the record date provided in the bonds and shall be in such form and contain such terms and provisions not inconsistent with this ordinance, as the Director of Finance may approve, and said bonds shall be executed in the name and on behalf of the City of South Portland by its Director of Finance, shall bear the corporate seal of the City of South Portland, Maine and the manual or facsimile signature of the Mayor and Chairman of the City Council; and the Director of Finance of the City of South Portland, Maine be and hereby is authorized and empowered to sell said \$1,890,000 aggregate principal amount of bonds of the

District One
MICHAEL R. POCK

District Two
PATRICIA A. SMITH

District Three
MELISSA E. LINSOTT

District Four
LINDA C. COHEN

District Five
GERARD A. JALBERT

At Large
MAXINE R. BEECHER

At Large
THOMAS E. BLAKE

City of South Portland, Maine, to be dated their date of delivery, at public sale pursuant to the provisions of Section 623 of the City Charter.

5. That the Director of Finance be and hereby is authorized to provide that any of the Bonds hereinbefore authorized be made subject to call for redemption, with or without premium, prior to their stated dates of maturity, as provided in 30-A M.R.S. §5772(6), as amended;

6. That each Bond issued hereunder shall be signed by the Director of Finance and by the Mayor and Chairman of the City Council, either or both of whose signatures may be by facsimile to the extent permitted by law, attested to by the City Clerk, under the seal of the City, and shall be in such form and contain such terms and provisions not inconsistent herewith as they may approve, their approval to be conclusively evidenced by their execution thereof;

7. That the Director of Finance is authorized to negotiate, execute, and deliver, in the name of and on behalf of the City such contracts, agreements, and other documents, instruments and certificates as may be necessary or appropriate as determined and approved by the Director of Finance in connection with the refinancing of the Prior Bonds, which documents shall be in such form and contain such terms and conditions, not inconsistent herewith, as may be approved by the Director of Finance such approval to be conclusively evidenced by his execution thereof;

8. That the Director of Finance be and hereby is authorized to engage Moors & Cabot, Inc. as financial advisor to the City in connection with the issuance and sale of the Bonds;

9. That the Director of Finance be and hereby is authorized to select the underwriter for the Bonds heretofore authorized and the Director of Finance be and hereby is authorized and empowered to execute and deliver such contracts or agreements as may be necessary or appropriate in connection therewith;

10. That the Director of Finance be and hereby is authorized to prepare, or cause to be prepared, a Preliminary Official Statement and an Official Statement for use in the offering and sale of the Bonds heretofore authorized, such Preliminary Official Statement and Official Statement to be in such form and contain such information as may be approved by the Director of Finance, with the advice of the bond counsel for the City, and that the use and distribution of the Preliminary Official Statement and the Official Statement in the name of and on behalf of the City in connection with offering the Bonds for sale be and hereby is approved;

11. That the Director of Finance be and hereby is authorized to select the registrar, paying agent and transfer agent (the "Transfer Agent") for the Bonds heretofore authorized and an escrow agent for the Prior Bonds and to execute and deliver such contracts and agreements as may be necessary or appropriate to secure their services;

12. That the Bonds heretofore authorized shall be transferable only on the registration books of the City kept by the Transfer Agent, and said principal amount of the bonds of the same maturity (but not of other maturity) in minimum denominations of \$5,000 and any integral multiple in excess thereof (or such other minimum denomination as the Director of Finance shall approve) upon surrender thereof at the principal office of the transfer agent, with a written Instrument of transfer satisfactory to the Transfer Agent duly executed by the registered owner or his attorney duly authorized in writing. Upon each exchange or transfer of a bond the City and the Transfer Agent shall make a charge sufficient to cover any tax, fee or any other governmental charge required to be payable with respect to such exchange or transfer, and with respect to such exchange or transfer, and subsequent to the first exchange or transfer, the cost of preparing new bonds upon exchanges or transfer thereof to be paid by the person requesting the same;

13. That the Director of Finance be and hereby is authorized to undertake all acts necessary to provide for the issuance and transfer of such Bonds heretofore authorized in book-entry form pursuant to the Depository Trust Company Book-Entry Only System, as an alternative to the provisions of the foregoing paragraph above regarding physical transfer of Bonds, and the Director of Finance be and hereby is authorized and empowered to enter into a Letter of Representation or any other contract, agreement or understanding necessary or, in his opinion, appropriate in order to qualify the Bonds for and participate in the Depository Trust Company Book-Entry Only System;

14. That the Director of Finance, Mayor and Chairman of the City Council from time to time shall execute such Bonds as may be required to provide for exchanges or transfers of Bonds as heretofore authorized, all such Bonds to bear the original signature of the Director of Finance, Mayor and Chairman of the City Council, and in case any officer of the City whose signature appears on any Bond shall cease to be such officer before the delivery of said Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery thereof;

15. That the officers executing the Bonds be and hereby are individually authorized to covenant, certify and agree, on behalf of the City, for the benefit of the holders of such Bonds, that the City will file any required reports, make any annual financial or material event disclosure, and take any other action that may be necessary to insure that the disclosure requirements imposed by Rule 15c2-12 of the Securities and Exchange Commission, if applicable, are met;

16. That any or all of the Bonds issued hereunder may be consolidated with and become a part of any other issue of temporary notes or general obligation bonds authorized to be issued by any previous or subsequent order of the City Council of the City of South Portland;

17. That the Director of Finance, Mayor, Chairman of the City Council and Clerk and other proper officials of the City be, and hereby are authorized and empowered in its name and on its behalf to do or cause to be done all such acts and things, not inconsistent herewith, as may be necessary or desirable in order to effect the issuance, sale and delivery of the Bonds hereinabove authorized;

18. That if any of the officers or officials of the City who have signed or sealed the Bonds shall cease to be such officers or officials before the Bonds so signed and sealed shall have been actually authenticated or delivered by the City, such Bonds nevertheless may be authenticated, issued, and delivered with the same force and effect as though the person or persons who signed or sealed such Bonds had not ceased to be such officer or official; and also any such bonds or notes may be signed and sealed on behalf of the City by those persons who, at the actual date of the execution of such Bonds, shall be the proper officers and officials of the City, although at the nominal date of such Bonds any such person shall not have been such officer or official;

19. That if the Director of Finance, Mayor, Chairman of the City Council or Clerk are for any reason unavailable to approve and execute the Bonds or any other documents necessary or convenient to the issuance, execution and delivery of the Bonds, the person or persons then acting in any such capacity, whether as an assistant, a deputy, or otherwise, is authorized to act for such official with the same force and effect as if such official had performed such act.

20. That the Bonds authorized by this Order are in addition to any bonds or notes previously authorized for the same or similar purposes;

21. That the investment earnings on the proceeds of the Bonds, if any, and the excess proceeds of the Bonds (including premium), if any, be and hereby are authorized to be used to pay redemption premium on the Prior Bonds, if any, to pay interest on the Prior Bonds or the Bonds and to pay issuance costs for the Bonds.

22. That during the term any of the Bonds (or bonds issued to refund such Bonds) are outstanding, the Director of Finance be and hereby is authorized to issue and deliver refunding bonds to refund on either a current or advance refunding basis some or all of the Bonds then outstanding, to the extent allowed by the Internal Revenue Code, and to determine the date, form, interest rate, maturities and all other details of such refunding bonds, including the form and manner of their sale and award. The Director of Finance be and hereby is further authorized to provide that any of such refunding bonds hereinbefore authorized be made callable, with or without premium, prior to their stated date(s) of maturity, and each refunding bond issued hereunder shall be signed by the Director of Finance and by the Mayor and Chairman of the City Council, either or both of whose signatures may be by facsimile to the extent permitted by law, attested to by the City Clerk, under the seal of the City, and shall be in such form and contain such terms and provisions not inconsistent herewith as they may approve, their approval to be conclusively evidenced by their execution thereof.

23. The net debt of the City of South Portland after the issuance of the bonds authorized by this Ordinance and assuming no other change in the outstanding Bonds and notes of the City of South Portland from the bond or notes of the City outstanding on the date of enactment of this Ordinance will be \$53,350,200, not including the Prior Bonds, and the Bonds authorized by this Ordinance will be within the debt limit prescribed by the Constitution of the State of Maine.

24. The Bonds and notes herein authorized shall be either sold at public sale upon sealed bid, as provided in Section 623 of the City Charter, or by negotiated sale in such manner as the Director of Finance deems appropriate and in the best interest of the City, and the Director of Finance be and hereby is authorized to provide that any of the Bonds and Notes herein authorized be made callable, with or without premium, prior to their maturity.

Dated: February 19, 2014