

## SULTAN CITY COUNCIL AGENDA ITEM COVER SHEET

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DATE: June 28, 2007

ITEM #: Action A 2

SUBJECT: Refunding of 1996 Water/Sewer Revenue Bonds

CONTACT PERSON: Laura Koenig, City Clerk/Deputy Finance Director

### SUMMARY STATEMENT:

The issue before the Council is the refunding of the 1996 Water/Sewer Revenue Bonds. In January, the Council reviewed a presentation regarding refunding the 1996 Revenue bonds. At that time the city was in the beginning stages of planning for the expansion of the Wastewater Treatment Plant and had not determined funding sources.

The City has determined that it will seek funding for the plant expansion from other sources and if bonds are required, they will not be needed for a least three years.

Staff has been working with Jane Towery, Piper Jaffrey, on the refinancing and it was anticipated that there would be a potential saving by refunding the bonds and reducing the interest rate. There has been a change in the market and the rates are going up at this time. Mark Knowles, contract Finance consultant, has reviewed the proposal and recommends that the City move forward with the refinance if there is a cost savings.

At this time it would not be cost effect to move forward with the refunding process, however, staff would like to be ready when the interest rates drop to a rate that provides at least a \$60,000 savings over the remaining life of the bonds.

The total amount of outstanding principal debt is \$880,000 with a final maturity date of June 2016. The total payoff amount for principal and interest is \$1,400,587.50.

In order to complete the refinancing, staff will need to work with Bond Counsel and the Financial firm to prepare an update Official Financial Statement and Bond Ordinance. This is a time intensive process and staff would like to proceed with the preparation of these documents. The ordinance and Official Statement will require Council approval. City Staff anticipates this work will be done by mid July.

### ALTERNATIVES

1. Do nothing and continue to pay the bonds as scheduled in the original bond ordinance.
2. The Council can direct staff to move forward with the proposed bond refinancing and prepare the necessary ordinances and documents to proceed with the refunding when the interest rates drops to a rate the provides at least a \$60,000 savings to the City.

FISCAL IMPACT:

Unknown at this time. The cost to refund the bonds is approximately \$20,000 for Bond Counsel and the underwriters fees. These costs can be included in the bond refunding or the City can pay the costs directly.

RECOMMENDED ACTION:

Staff and the Sub Committee recommend that we move forward with the bond refunding if the City will save at least \$60,000.

MOTION: Move to direct staff to prepare the necessary ordinances and documents to refund the 1996 Water/Sewer bonds when the cost savings will be at least \$60,000.

- Attachments:
- A. Current Bond debt requirements
  - B. Information from Jane Towery, Piper Jaffrey

OFFICIAL STATEMENT DATED OCTOBER 9, 1996  
(REVISED AS OF OCTOBER 18, 1996)

NEW ISSUE

RATING: Not Applied For

*In the opinion of Bond Counsel, assuming compliance by City of Sultan, Washington (the "City"), with applicable requirements of the Internal Revenue Code of 1986, as amended, including arbitrage and arbitrage rebate requirements, interest on the Bonds is excluded from gross income of registered owners for federal income tax purposes under existing federal law and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. However, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain corporations may be subject to an environmental tax, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Bonds may have other federal tax consequences for certain taxpayers. See "TAX EXEMPTION" and "CERTAIN OTHER FEDERAL TAX CONSEQUENCES" herein.*

**CITY OF SULTAN  
SNOHOMISH COUNTY, WASHINGTON**

**\$1,500,000**

**WATER AND SEWER REVENUE IMPROVEMENT AND REFUNDING BONDS, 1996**

DATED: October 1, 1996

DUE: June 1, as shown below

The City of Sultan's Water and Sewer Revenue Improvement and Refunding Bonds, 1996 (the "Bonds"), will be issued in fully registered form in the denomination of \$5,000 each or any integral multiple thereof within a single maturity. Principal of the Bonds will be paid on June 1 of each year, commencing June 1, 1997 upon presentation and surrender of the Bonds, at maturity or early redemption, at the principal offices of the Fiscal Agent of the State of Washington (the "Paying Agent"), currently Wells Fargo Bank, National Association, Seattle, Washington successor by merger to First Interstate Bank of Washington, N.A., Seattle, Washington and The Bank of New York, New York, New York. Interest on the Bonds will be paid on December 1, 1996 and semiannually thereafter on each succeeding December 1 and June 1, until maturity. Interest on the Bonds will be paid by check or draft of the Paying Agent mailed on the payment date to the Registered Owners at the Registered Owner's address appearing on the Bond Register on the 15th day of the month preceding each interest payment date.

**MATURITY SCHEDULE\***

Due June 1	Amount	Rate	Yield	Due June 1	Amount	Rate	Yield
2007	\$ 70,000	5.70%	5.85	2012	\$ 95,000	6.05%	6.20
2008	75,000	5.80	5.95	2013	105,000	6.15	6.25
2009	80,000	5.90	6.05	2014	110,000	6.15	6.25
2010	85,000	6.00	6.15	2015	115,000	6.20	6.30
2011	90,000	6.05	6.20	2016	125,000	6.20	6.30

\$550,000 5.45% Term Bonds due June 1, 2006 at 100  
(plus accrued interest from October 1, 1996)

The Bonds maturing in the year 2006 are not subject to early redemption. The Bonds maturing on or after June 1, 2007 are subject to early redemption, at the option of the City, beginning June 1, 2006 or after as a whole at any time or in part at any interest payment date, at a price of par, plus accrued interest to the date fixed for redemption. See "EARLY REDEMPTION" herein. The Bonds maturing June 1, 2006 are Term Bonds and are subject to Mandatory Redemption (see "MANDATORY REDEMPTION" herein).

The principal of and interest on the Bonds are payable solely from and secured by the Gross Revenue of the Waterworks Utility and by other funds pledged therefor by the Bond Ordinance subject only to the payment of Maintenance/Operation Expense. The City has covenanted not to issue any future bonds having a lien and charge on the Gross Revenues superior to that of the Bonds. The Bonds are special limited obligations of the City and are not obligations of the State of Washington or any political subdivision thereof other than the City, and neither the full faith and credit nor the taxing power of the City or the State of Washington is pledged to the payment of the Bonds.

The City has designated the Bonds as "qualified tax-exempt obligations" under the Internal Revenue Code of 1986, as amended. See "CERTAIN OTHER FEDERAL INCOME TAX CONSEQUENCES" herein.

The Bonds are offered by the City when, as, and if issued, subject to the approving legal opinion of Foster Pepper & Shefelman, bond counsel, Seattle, Washington, which opinion will be printed on the Bonds. The closing for the Bonds is expected to occur on October 21, 1996. The Bonds, in definitive form, will be available for delivery on or around October 22, 1996, in Seattle, Washington or at the facilities of The Depository Trust Company in New York, New York.

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

# CITY OF SULTAN

## WATER & SEWER REVENUE REFUNDING BONDS, SERIES 2007

### FINANCING SCHEDULE

5/25/2007

May							June							July							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
			1	2	3	4	5						1	2	1	2	3	4	5	6	7
6	7	8	9	10	11	12	3	4	5	6	7	8	9	8	9	10	11	12	13	14	
13	14	15	16	17	18	19	10	11	12	13	14	15	16	15	16	17	18	19	20	21	
20	21	22	23	24	25	26	17	18	19	20	21	22	23	22	23	24	25	26	27	28	
27	28	29	30	31			24	25	26	27	28	29	30	29	30	31					

Issuer:	City of Sultan	City
Bond Counsel:	Foster Pepper	BC
Underwriter:	Piper Jaffray	UW

Date	Item	Responsibility
Week of May 28	<ul style="list-style-type: none"> <li>◆ Distribute data request, financing schedule and distribution list</li> <li>◆ Begin work on legal documents and Preliminary Official Statement</li> </ul>	UW UW, BC
Week of June 4	◆ Distribute draft legal documents for review	City
June 7	◆ Distribute 1 <sup>st</sup> draft Preliminary Official Statement for review	UW
June 14	◆ Receive data from the City	City, BC, UW
	◆ 1 <sup>st</sup> Reading of Bond Ordinance	City
June 17	◆ Distribute 2 <sup>nd</sup> draft Preliminary Official Statement for review	UW
June 19	◆ Submit changes and corrections to POS and legal documents	City, BC
June 21	◆ Finalize, print and distribute POS	City, UW
June 27	◆ Pre-pricing call (initiated by Piper)	City, UW
June 28	<ul style="list-style-type: none"> <li>◆ Pricing and marketing of the Bonds</li> <li>◆ Present purchase offer to City Council</li> <li>◆ Passage of Bond Ordinance</li> </ul>	City, UW UW City
June 29	◆ Prepare closing/final documents	BC, UW
July 2	◆ Finalize, print and distribute FOS	UW
July 13	◆ Close bond issue and deliver proceeds	City, UW

Attachment B-1

# CITY OF SULTAN

## WATER & SEWER REVENUE REFUNDING BONDS, 2007

### DISTRIBUTION LIST

#### ***ISSUER***

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**CITY OF SULTAN**  
PO Box 1199  
319 Main Street  
Sultan, WA 98294-1199

**Laura Koenig**  
*Clerk/Treasurer*

Phone: (360) 793-2231  
Fax: (360) 793-3344  
Email: [laura.koenig@ci.sultan.wa.us](mailto:laura.koenig@ci.sultan.wa.us)

#### ***BOND COUNSEL***

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**FOSTER PEPPER PLLC**  
1111 Third Avenue, Suite 3400  
Seattle, WA 98109

**Alice Ostdiek**  
*Attorney*

Phone: (206) 447-4663  
Fax: (206) 749-2071  
Email: [ostda@foster.com](mailto:ostda@foster.com)

**Tracy Becht**  
*Legal Assistant*

Phone: (206) 447-8936  
Fax: (206) 447-9700  
Email: [becht@foster.com](mailto:becht@foster.com)

#### ***UNDERWRITER***

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**PIPER JAFFRAY & CO.**  
601 Union Street, Suite 5010  
Seattle, WA 98101

**Jane Towery**  
*Managing Director*

Phone: (206) 254-7244  
Fax: (206) 254-7227  
Email: [jane.d.towery@pjc.com](mailto:jane.d.towery@pjc.com)

**Sarkis Garabedian**  
*Assistant Vice President*

Phone: (206) 254-7223  
Fax: (206) 254-7227  
Email: [sarkis.m.garabedian@pjc.com](mailto:sarkis.m.garabedian@pjc.com)

**Daren Bell**  
*Analyst*

Phone: (206) 254-7225  
Fax: (206) 254-7227  
Email: [daren.m.bell@pjc.com](mailto:daren.m.bell@pjc.com)

**Noreen Florio**  
*Specialist*

Phone: (206) 254-7219  
Fax: (206) 254-7227  
Email: [noreen.m.florio@pjc.com](mailto:noreen.m.florio@pjc.com)

**City of Sultan**

Snohomish County, Washington

Water and Sewer Revenue Refunding Bonds, Series 2007

*Public Market Offering*

**Table of Contents**

**Report**

Sources & Uses	1
Pricing Summary	2
Debt Service Schedule	3
Debt Service Comparison	4
Summary Of Bonds Refunded	5

## City of Sultan

Snohomish County, Washington

Water and Sewer Revenue Refunding Bonds, Series 2007

*Public Market Offering*

## Sources & Uses

Dated 07/02/2007 | Delivered 07/02/2007

### Sources Of Funds

Par Amount of Bonds	\$910,000.00
Reoffering Premium	2,022.65
<b>Total Sources</b>	<b>\$912,022.65</b>

### Uses Of Funds

Deposit to Current Refunding Fund	884,603.93
Total Underwriter's Discount (1.100%)	10,010.00
Bond Counsel	10,000.00
POS/Official Statement	3,500.00
Rating Agency Fee	2,500.00
Rounding Amount	908.72
Escrow Agent	500.00
<b>Total Uses</b>	<b>\$912,022.65</b>

## City of Sultan

Snohomish County, Washington

Water and Sewer Revenue Refunding Bonds, Series 2007

Public Market Offering

## Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
06/01/2008	Serial Coupon	4.250%	3.900%	85,000.00	100.308%	85,261.80
06/01/2009	Serial Coupon	4.250%	3.940%	90,000.00	100.563%	90,506.70
06/01/2010	Serial Coupon	4.250%	3.970%	90,000.00	100.760%	90,684.00
06/01/2011	Serial Coupon	4.250%	4.000%	95,000.00	100.894%	95,849.30
06/01/2012	Serial Coupon	4.250%	4.040%	100,000.00	100.924%	100,924.00
06/01/2014	Term 1 Coupon	4.100%	4.125%	215,000.00	99.847%	214,671.05
06/01/2016	Term 2 Coupon	4.150%	4.200%	235,000.00	99.628%	234,125.80
<b>Total</b>	-	-	-	<b>\$910,000.00</b>	-	<b>\$912,022.65</b>

### Bid Information

Par Amount of Bonds	\$910,000.00
Reoffering Premium or (Discount)	2,022.65
Gross Production	\$912,022.65
Total Underwriter's Discount (1.100%)	\$(10,010.00)
Bid (99.122%)	902,012.65
Total Purchase Price	\$902,012.65
Bond Year Dollars	\$4,736.64
Average Life	5.205 Years
Average Coupon	4.1644543%
Net Interest Cost (NIC)	4.3330833%
True Interest Cost (TIC)	4.3620495%

## City of Sultan

Snohomish County, Washington

Water and Sewer Revenue Refunding Bonds, Series 2007

Public Market Offering

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
06/01/2008	85,000.00	4.250%	34,835.16	119,835.16
06/01/2009	90,000.00	4.250%	34,505.00	124,505.00
06/01/2010	90,000.00	4.250%	30,680.00	120,680.00
06/01/2011	95,000.00	4.250%	26,855.00	121,855.00
06/01/2012	100,000.00	4.250%	22,817.50	122,817.50
06/01/2013	105,000.00	4.100%	18,567.50	123,567.50
06/01/2014	110,000.00	4.100%	14,262.50	124,262.50
06/01/2015	115,000.00	4.150%	9,752.50	124,752.50
06/01/2016	120,000.00	4.150%	4,980.00	124,980.00
<b>Total</b>	<b>\$910,000.00</b>	<b>-</b>	<b>\$197,255.16</b>	<b>\$1,107,255.16</b>

### Yield Statistics

Bond Year Dollars	\$4,736.64
Average Life	5.205 Years
Average Coupon	4.1644543%
Net Interest Cost (NIC)	4.3330833%
True Interest Cost (TIC)	4.3620495%
Bond Yield for Arbitrage Purposes	4.1177294%
All Inclusive Cost (AIC)	4.7733404%

### IRS Form 8038

Net Interest Cost	4.1203705%
Weighted Average Maturity	5.195 Years

## City of Sultan

Snohomish County, Washington

Water and Sewer Revenue Refunding Bonds, Series 2007

Public Market Offering

### Debt Service Comparison

Date	Total P+i	Net New D/S	Old Net D/S	Savings
06/01/2008	119,835.16	119,835.16	128,465.00	8,629.84
06/01/2009	124,505.00	124,505.00	129,115.00	4,610.00
06/01/2010	120,680.00	120,680.00	129,395.00	8,715.00
06/01/2011	121,855.00	121,855.00	129,295.00	7,440.00
06/01/2012	122,817.50	122,817.50	128,850.00	6,032.50
06/01/2013	123,567.50	123,567.50	133,102.50	9,535.00
06/01/2014	124,262.50	124,262.50	131,645.00	7,382.50
06/01/2015	124,752.50	124,752.50	129,880.00	5,127.50
06/01/2016	124,980.00	124,980.00	132,750.00	7,770.00
<b>Total</b>	<b>\$1,107,255.16</b>	<b>\$1,107,255.16</b>	<b>\$1,172,497.50</b>	<b>\$65,242.34</b>

#### PV Analysis Summary (Net to Net)

Net PV Cashflow Savings @ 4.118%(Bond Yield)	54,653.34
Contingency or Rounding Amount	908.72
Net Present Value Benefit	\$55,562.06
Net PV Benefit / \$880,000 Refunded Principal	6.314%

#### Refunding Bond Information

Refunding Dated Date	7/02/2007
Refunding Delivery Date	7/02/2007

**City of Sultan**

Snohomish County, Washington

Water and Sewer Revenue Refunding Bonds, Series 2007

*Public Market Offering*

**Summary Of Bonds Refunded**

Issue	Maturity	Type	of Bond	Coupon	Maturity Value	Call Date	Call Price
Water and Sewer Revenue Bond, Series 1996	06/01/2008	Serial	Coupon	5.800%	75,000	07/02/2007	100.000%
Water and Sewer Revenue Bond, Series 1996	06/01/2009	Serial	Coupon	5.900%	80,000	07/02/2007	100.000%
Water and Sewer Revenue Bond, Series 1996	06/01/2010	Serial	Coupon	6.000%	85,000	07/02/2007	100.000%
Water and Sewer Revenue Bond, Series 1996	06/01/2011	Serial	Coupon	6.050%	90,000	07/02/2007	100.000%
Water and Sewer Revenue Bond, Series 1996	06/01/2012	Serial	Coupon	6.050%	95,000	07/02/2007	100.000%
Water and Sewer Revenue Bond, Series 1996	06/01/2013	Serial	Coupon	6.150%	105,000	07/02/2007	100.000%
Water and Sewer Revenue Bond, Series 1996	06/01/2014	Serial	Coupon	6.150%	110,000	07/02/2007	100.000%
Water and Sewer Revenue Bond, Series 1996	06/01/2015	Serial	Coupon	6.200%	115,000	07/02/2007	100.000%
Water and Sewer Revenue Bond, Series 1996	06/01/2016	Serial	Coupon	6.200%	125,000	07/02/2007	100.000%
<b>Subtotal</b>	-	-	-	-	<b>\$880,000</b>	-	-
<b>Total</b>	-	-	-	-	<b>\$880,000</b>	-	-

B-8