



# City of Norman, OK

Municipal Building  
Council Chambers  
201 West Gray  
Norman, OK 73069

## Master

**File Number: R-1415-86**

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<b>File ID:</b> R-1415-86	<b>Type:</b> Resolution	<b>Status:</b> Consent Item
<b>Version:</b> 1	<b>Reference:</b> Item 25	<b>In Control:</b> City Council
<b>Department:</b> Finance Department	<b>Cost:</b>	<b>File Created:</b> 02/17/2015
<b>File Name:</b> authorizing NUA to issue Utility System Revenue Note		<b>Final Action:</b>

**Title:**

RESOLUTION R-1415-86: A RESOLUTION OF THE NORMAN UTILITIES AUTHORITY (THE "AUTHORITY") AUTHORIZING THE AUTHORITY TO ISSUE ITS UTILITY SYSTEM REVENUE NOTE, SERIES 2015 (THE "NOTE") IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$17,600,000; WAIVING COMPETITIVE BIDDING AND AUTHORIZING THE NOTE TO BE SOLD ON A NEGOTIATED BASIS; APPROVING AND AUTHORIZING EXECUTION OF AN INDENTURE AUTHORIZING THE ISSUANCE AND SECURING THE PAYMENT OF THE NOTE; PROVIDING THAT THE ORGANIZATIONAL DOCUMENT CREATING THE AUTHORITY IS SUBJECT TO THE PROVISIONS OF THE INDENTURE; RATIFYING AND CONFIRMING A LEASE AGREEMENT BY AND BETWEEN THE AUTHORITY AND THE CITY OF NORMAN, OKLAHOMA (THE "CITY"), PERTAINING TO THE CITY'S WATER AND SEWER SYSTEMS; AUTHORIZING AND DIRECTING THE EXECUTION OF THE NOTE AND OTHER DOCUMENTS RELATING TO THE TRANSACTION, INCLUDING AN ESCROW DEPOSIT AGREEMENT AND A PARITY AGREEMENT; AND CONTAINING OTHER PROVISIONS RELATING THERETO.

**Notes:** ACTION NEEDED: Acting as the Norman Utilities Authority, motion to adopt or reject Resolution No. R-1415-86.

ACTION TAKEN: \_\_\_\_\_

**Agenda Date:** 02/24/2015

**Agenda Number:** 25

**Attachments:** Text File R-1415-86.pdf, 08 Resolution No R-1415-86 NUA (02-24-15).pdf

**Project Manager:** Anthony Francisco, Director of Finance

**Entered by:** Ellen.Usry@normanok.gov

**Effective Date:**

### History of Legislative File

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Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	City Council	02/24/2015					

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### Text of Legislative File R-1415-86

body

**BACKGROUND:** On November 18, 2003, the Trustees of the Norman Utilities Authority adopted Resolution

0304-51, approving its Revenue Refunding Bonds, Series 2003 (Wastewater Utility). On September 13, 2005, the Trustees of the Norman Utilities Authority adopted Resolution 0506-55, approving its Revenue Refunding Bonds, Series 2005 (Wastewater Utility). On November 28, 2006 the Trustees of the Norman Utilities Authority adopted Resolution 0304-51, approving its Utility Revenue Bonds, Series 2006 (Water Utility).

The average interest rate of these three outstanding NUA Revenue Bonds is 4.048%, and the remaining outstanding principal indebtedness on each issue is listed below:

**Debt Issue**

2003 Sewer Refunding Bonds - remaining principal, \$1,600,000 with Maturity date of 11/1/2016

2005 Sewer Refunding Bonds - remaining principal, \$1,315,000 with Maturity date of 11/1/2019

2006 Water Revenue Bonds - remaining principal, \$14,390,000 with Maturity date of 12/1/2026

**DISCUSSION:** Municipal bond market rates have declined since the issuance of these revenue bonds, to the point that the NUA can save debt service costs by “refunding” (refinancing) the outstanding bonds through the issuance of “refunding” (replacement) debt obligations issued at today’s lower interest rates. The NUA can generate debt service savings over the remaining life of the bonds by completing a refunding in current market conditions.

Perhaps more important than debt service savings, refinancing the bonds allows the NUA to modernize its debt documents and resolves some technical issues that have arisen as a result of changes in the financial markets. The existing bond documents require the NUA to establish a debt service reserve fund for all debt obligations that can be satisfied by (i) making a cash deposit equal to approximately one year’s debt service, or (ii) through acquisition of a surety bond of the same amount. Each of the existing bond issues satisfied this requirement by purchasing a surety bond from a bond insurer. Unfortunately, the company that issued the surety bonds is no longer in business, and as a result, the NUA is technically not in compliance with its bond documents. Current practice does not require the funding of a debt service reserve fund on every debt issuance. By refunding the outstanding bonds, the NUA can remove the debt service reserve fund requirement. This will eliminate the current non-compliance issue. Moreover, the removal of the debt service fund requirement will put the NUA in position to access capital with fewer requirements on a going forward basis, and potentially at a lower cost to the NUA.

Requests for proposals to purchase the proposed NUA Utility System Revenue Note, Series 2015 (the “2015 Note”) were distributed to local, regional, and national banking institutions, with proposals to be received by the NUA on February 24, 2015. Staff will present the proposals to the NUA Trustees and make a recommendation for a “Purchaser” of the 2015 Note prior to consideration of the attached resolutions.

The attached Resolutions R-1415-86 and R-1415-87 would authorize the issuance of the 2015 Note. Additionally, the Resolutions waive competitive bidding and authorize a negotiated sale of the 2015 Note to the winning Purchaser, and further authorize a new Bond Indenture structure along with ancillary documents necessary to complete the refunding of the existing bonds.

**RECOMMENDATION:** It is recommended that the resolutions and documents be approved, authorizing the issuance of the NUA’s Utility System Revenue Note, Series 2015, and authorizing the Chair and Mayor to execute the documents in their final form prior to Note closing.