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Meeting Date: June 18, 2014  
Staff Contact: Mark S. Sanchez, Executive Director

**TITLE: R-14-10 - Approving the Sale of Albuquerque Bernalillo County Water Utility Authority (“Water Authority”) Subordinate Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014 in the Aggregate Principal Amount of \$183,425,000 (“Series 2014 Bonds”); Establishing Certain Details of the Series 2014 Bonds: Providing for the Payment of the Costs of Issuance of the Series 2014 Bonds: Approving Disclosure and Other Documents Relating to the Series 2014 Bonds: and Ratifying Action Previously Taken in Connection Therewith**

**ACTION: First Reading – June 18, 2014; Final Action – August 20, 2014**

**SUMMARY:**

This legislation is the first reading of the Confirming Resolution for the proposed Joint Water and Sewer System Improvement Revenue Bonds, Senior Lien Series 2014A and Subordinate Lien Series 2014B. This resolution establishes certain bond details; provides for the payment of the cost of issuing the bonds; approves disclosure and other documents relating to the bonds; and ratifies previous action taken in connection with the sale of the bonds.

Pending approval of Ordinance O-14-2, Bond Ordinance at the August 20, 2014 meeting, this Resolution will authorize the refunding all or a portion of the outstanding Joint Water and Sewer System Improvement Revenue Bonds, Series 2005, New Mexico Finance Authority Public Project Revolving Fund Loan (2005), Series 2006 Bonds and the Series 2001 New Mexico Environment Department Loan. A portion of the refunding, approximately 55%, will be issued as senior lien bonds and the remaining portion will be issued as subordinate lien bonds. The Authority is issuing a portion of the refunding bonds on a subordinate lien basis to provide the Authority rate covenant flexibility during revenue fluctuation years. This Confirming Resolution approves the terms, sale price, maximum interest rates and other matters with respect to the Bonds.

**FISCAL IMPACT:**

The Senior Lien Series 2014A and Subordinate Lien Series 2014B Bonds will be issued in two series, with an aggregate principal amount of approximately \$183,425,000, which will refund all or a portion of the Series 2005 Bonds, 2005 NMFA PPRF Loan, Series 2006 Bonds and 2001 NMED Loan. Based upon current market conditions the refunding will generate approximately \$15.7 million in present value savings or 7.81% of

the par amount refunded. Annually the refunding is expected to generate approximately \$0.9 million in savings in FY 2015, \$1.3 million in savings in FY 2016 and approximately \$1.66 million from FY 2017 through FY 2025. Gross Revenues, all income and revenues directly or indirectly derived by the Water Authority from the operation and use of the System less operation and maintenance expenses, are pledged as security for these bonds, similar to the Water Authority's prior debt issuances. The term of the debt will not be extended.

**COMMENTS:**

This confirming resolution is required for any bond issuance under the approved Bond Ordinance and requires Water Authority Board approval.

Senior Lien Bond ratings for this issue are as follows: Standard and Poor's (AA+ Stable Outlook), Fitch (AA Stable Outlook) and Moody's (Aa2 Stable Outlook).

It is anticipated the Water Authority's subordinate lien will have ratings of one notch lower or Aa3/AA/AA- by Moody's, Standard and Poor's and Fitch Ratings respectively based on coverage requirements.

A floor substitute may be prepared by Bond Counsel which makes technical adjustments.



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1 WHEREAS, it is in the best interests of the Water Authority to sell the Series  
2 2014 Bonds to the Purchaser upon the terms as set forth in the Bond Legislation and  
3 the Bond Purchase Agreement; and

4 WHEREAS, the Preliminary Official Statement, the proposed form of Official  
5 Statement, the form of Continuing Disclosure Undertaking and the Bond Purchase  
6 Agreement are on deposit with the Water Authority and are presented to the Board; and

7 WHEREAS, the Water Authority wishes to explicitly assume all obligations  
8 associated with certain bonds or notes issued prior to the date hereof; and

9 WHEREAS, all required authorizations, consents and approvals of any  
10 governmental body, agency or authority in connection with the authorization, execution  
11 and delivery of the Series 2014 Bonds, which are required to have been obtained by the  
12 date on which the Confirming Resolution is adopted or which will be required to be  
13 obtained prior to the date of issuance of the Series 2014 Bonds have been or will have  
14 been obtained by such dates;

15 BE IT RESOLVED BY THE WATER AUTHORITY:

16 SECTION 1. DEFINITIONS.

17 PURCHASER. J.P. Morgan Securities LLC, the original purchaser of the  
18 Series 2014 Bonds.

19 SERIES 2014 BONDS. The Albuquerque Bernalillo County Water Utility  
20 Authority Subordinate Lien Joint Water and Sewer System Refunding Revenue Bonds,  
21 Series 2014, authorized by the Bond Legislation.

22 CONFIRMING RESOLUTION. This resolution, being Water Authority  
23 Resolution No. R-14-10.

24 SECTION 2. RATIFICATION OF PRIOR ACTIONS TOWARD ISSUANCE  
25 OF THE SERIES 2014 BONDS; ASSUMPTION OF PRIOR OBLIGATIONS. All action  
26 previously taken (not inconsistent with the provisions of the Bond Legislation) by the  
27 Board and the officers of the Water Authority, directed toward the authorization, pledge,  
28 collection, and distribution of the Net Revenues and the authorization, issuance and  
29 sale of the Series 2014 Bonds is ratified, approved, and confirmed. The Water Authority  
30 hereby assumes all liabilities and obligations with respect to all outstanding bonds and  
31 other obligations issued by the Water Authority pursuant to the Act, the Bond Legislation  
32 and Joint Powers Agreement dated December 19, 2003 among the City, the County  
33 and the Water Authority.

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1 SECTION 3. FINDINGS. The Board declares that it has considered all  
2 relevant information and data and makes the following findings:

3 A. The issuance of the Series 2014 Bonds in the principal amount of  
4 \$[183,425,000] plus a premium of \$\_\_\_\_\_ under the Act will provide funds for (i)  
5 the advance refunding of the Public Project Revolving Fund Loan Agreement (2005)  
6 maturing on and after May 1, \_\_\_\_\_, (ii) the advance refunding of the Series 2005 Bonds  
7 maturing on and after July 1, \_\_\_\_\_, (iii) the advance refunding of the Series 2006A  
8 Bonds maturing on and after July 1, \_\_\_\_\_, (iv) the current refunding of the EID Loan,  
9 and (v) the payment of Expenses, with proceeds of the Series 2014 Bonds and other  
10 money of the Water Authority legally available for the purpose..

11 B. The Refunding Project is necessary and in the interest of the public  
12 health, safety, and welfare of the residents of the geographic area served by the Water  
13 Authority for the purpose of achieving debt service savings and restructuring the Water  
14 Authority's outstanding System Obligations.

15 C. The interest rates set forth in Section 4, the net effective interest  
16 rate of \_\_\_\_\_% per annum, and the underwriters' discount of \$\_\_\_\_\_ for  
17 the sale of the Series 2014 Bonds are reasonable under existing and anticipated bond  
18 market conditions and are necessary and advisable for the marketing and sale of the  
19 Bonds.

20 D. The Water Authority will complete the Refunding Project with the  
21 proceeds of the Series 2014 Bonds together with other funds of the Water Authority, if  
22 any.

23 SECTION 4. DETAILS OF BONDS.

24 A. PRINCIPAL AMOUNT. The Series 2014 Bonds shall be issued in  
25 one or more series in the aggregate principal amount of \$[183,425,000], shall be  
26 designated the Albuquerque Bernalillo County Water Utility Authority Subordinate Lien  
27 Joint Water and Sewer System Refunding Revenue Bonds, Series 2014. The Series  
28 2014 Bonds shall be issued to provide funds, together with other available funds of the  
29 Water Authority, if any, to finance the completion of the Refunding Project and to pay  
30 Expenses relating to the issuance of the Series 2014 Bonds.

1 B. SERIES DATE; REGISTRATION. The Series 2014 Bonds shall be  
 2 dated the \_\_\_\_\_, 2014 (the "Series Date"), and shall be issued in fully registered form  
 3 only, without coupons, and when issued will be registered in the name of Cede & Co.,  
 4 as nominee of The Depository Trust Company ("DTC"), New York, New York, as  
 5 registered owner of the Series 2014 Bonds, all as provided in the Bond Ordinance.

6 C. INTEREST PAYMENT DATE; INTEREST RATES; MATURITIES.

7 The Series 2014 Bonds shall bear interest payable on each Interest  
 8 Payment Date, beginning on January 1, 2015, at the rates per annum, maturing in the  
 9 years and amounts, set forth below:

10	<u>Principal Amount</u>	<u>Maturity (July 1)</u>	<u>Interest Rate</u>
11	\$	2015	%
12	\$	2016	%
13	\$	2017	%
14	\$	2018	%
15	\$	2019	%
16	\$	2020	%
17	\$	2021	%
18	\$	2022	%
19	\$	2023	%
20	\$	2024	%
21	\$	2025	%
22	\$	2026*	%

23 \*Term Bonds subject to mandatory sinking fund redemption

24 D. OPTIONAL REDEMPTION. The Series 2014 Bonds maturing on  
 25 and after July 1, \_\_\_\_, shall be subject to redemption prior to their respective maturities,  
 26 at the option of the Water Authority in any order of maturity as determined by the Water  
 27 Authority in whole or in part at any time, on or after July 1, \_\_\_\_, at a redemption price  
 28 equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued  
 29 interest to the date of redemption.

30 E. MANDATORY SINKING FUND REDEMPTION. The Series 2014  
 31 Bonds maturing on July 1, \_\_\_\_ are subject to mandatory sinking fund redemption at a  
 32 redemption price equal to 100% of the principal amount thereof plus accrued interest to  
 33 the redemption date on July 1 in the years and in the principal amounts stated below:

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1 Purchaser as set forth in the Confirming Resolution and the Bond Purchase Agreement  
2 are within the parameters established by the Bond Ordinance.

3 SECTION 6. ACCOUNTS AND FUNDS. The Water Authority shall  
4 establish the Series 2014 Debt Service Account as a separate account of the Debt  
5 Service Fund and shall establish any other accounts required by the Bond Ordinance.

6 SECTION 7. SALE OF SERIES 2014 BONDS. The sale of the Series  
7 2014 Bonds in a negotiated sale to the Purchaser for the principal amount of  
8 \$183,425,000, plus a net premium of \$\_\_\_\_\_, less an underwriter's discount of  
9 \$\_\_\_\_\_, is approved.

10 SECTION 8. USE OF PROCEEDS; PROJECT COMPLETION;  
11 PURCHASER NOT RESPONSIBLE.

12 A. PROCEEDS AND OTHER FUNDS; APPROPRIATIONS.

13 (1) The Board, having been informed of and having considered  
14 all pertinent facts and circumstances, does hereby find and determine and declare that  
15 proceeds from the sale of the Series 2014 Bonds shall be appropriated and deposited  
16 as follows:

17 (a) \$\_\_\_\_\_ of proceeds of the Series 2014 Bonds  
18 will be deposited into the Expense Account to pay Expenses, with any amounts not  
19 expended within ninety (90) days to be deposited into the Series 2014 Debt Service  
20 Account.

21 (b) \$\_\_\_\_\_ of proceeds of the Series 2014  
22 Bonds will be deposited in the Escrow Funds, and, together with interest earnings  
23 thereon, used, and is appropriated for the payment of the redemption price (including  
24 principal and accrued interest) of the Refunded Obligations pursuant to the Escrow  
25 Agreement.

26 (c) \$\_\_\_\_\_ of proceeds of the Series 2014 Bonds  
27 shall be used to pay, and is appropriated to reimburse the Water Authority for the  
28 payment of the underwriters' discount paid by the Water Authority.

29 (d) \$\_\_\_\_\_, of the proceeds of the Series 2014  
30 Bonds, shall be deposited to the Series 2014 Debt Service Account.

31 B. COMPLETION. As soon as practicable, and in any event not more  
32 than 60 days after the Completion Date of the Refunding Project, any balance



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1 remaining in the Escrow Funds shall be used by the Water Authority for the payment of  
2 the principal of or interest next coming due on the Bonds.

3 C. PURCHASER NOT RESPONSIBLE. The Purchaser shall not be  
4 responsible for the application or use by the Water Authority of the proceeds of Bonds.

5 SECTION 9. PRIOR REDEMPTION AND NOTICE WITH RESPECT TO  
6 REFUNDED OBLIGATIONS; ESCROW AGENT; SUFFICIENCY OF ESCROW FUND;  
7 INVESTMENTS.

8 The Water Authority has elected and does hereby declare its intent to exercise  
9 on behalf and in the name of the Water Authority its option to redeem the Refunded  
10 Obligations at a redemption price equal to the principal amount of the Refunded  
11 Obligations to be redeemed plus accrued interest to the respective dates of redemption.  
12 The Water Authority is hereby obligated to exercise such option, which option shall be  
13 deemed to have been exercised irrevocably upon delivery of the Series 2014 Bonds.  
14 Notices of optional redemption of the Refunded Obligations shall be mailed or delivered  
15 as provided by the Refunded Obligations.

16 The initial Escrow Agent shall be BOKF, N.A. dba Bank of Albuquerque. The  
17 Escrow Agent shall invest the monies on deposit in the Escrow Funds only in  
18 Government Obligations as defined in the Refunded Obligations. All such Government  
19 Obligations shall mature at such times as provided in the Escrow Agreement.

20 SECTION 10. APPROVAL AND USE OF DOCUMENTS. The forms,  
21 terms, and provisions of the Preliminary Official Statement, the proposed form of the  
22 Official Statement, the Bond Purchase Agreement, and the form of Continuing  
23 Disclosure Undertaking on file with the Water Authority and presented to the Board are  
24 ratified and approved. The Chair of the Water Authority or the Executive Director are  
25 hereby authorized to execute the Escrow Agreement. The use by the Purchaser, in  
26 connection with the offering and sale of the Bonds, of the Preliminary Official Statement  
27 and the Official Statement (with terms which are not inconsistent with the Bond  
28 Legislation) is ratified and approved.

29 SECTION 11. CONFIRMING RESOLUTION IRREPEALABLE. After any  
30 Series 2014 Bonds are issued, the Confirming Resolution shall be and remain  
31 irrevocable until the principal of and interest on the Series 2014 Bonds are fully paid  
32 and the Series 2014 Bonds are cancelled or there has been defeasance of the Series  
33 2014 Bonds as provided in the Bond Legislation.

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1 SECTION 12. REPEALER CLAUSE. All bylaws, orders, and resolutions,  
2 or parts thereof, inconsistent with the Confirming Resolution are repealed to the extent  
3 of such inconsistency. This repealer shall not be construed to revive any bylaw, order,  
4 or resolution, or part thereof, previously repealed.

5 SECTION 13. SEVERABILITY. If any section, paragraph, clause or  
6 provision of the Confirming Resolution shall for any reason be held to be invalid or  
7 unenforceable, the invalidity or unenforceability of such section, paragraph, clause or  
8 provision shall not affect any of the remaining provisions of the Confirming Resolution.

9 SECTION 14. EFFECTIVE DATE. The Confirming Resolution shall be in  
10 full force and effect immediately upon adoption.

11 SECTION 15. PUBLICATION OF NOTICE OF ADOPTION. Pursuant to  
12 the general laws of the State, the title and general summary of the subject matter  
13 contained in the Confirming Resolution shall be published in substantially the following  
14 form:

15 **ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
16 **LEGAL NOTICE**

17 Notice is hereby given that the Board of Directors of Albuquerque Bernalillo  
18 County Water Utility Authority did on the 20<sup>th</sup> day of August, 2014, adopt a resolution  
19 entitled:

20 **APPROVING THE SALE OF ALBUQUERQUE BERNALILLO COUNTY**  
21 **WATER UTILITY AUTHORITY (THE "WATER AUTHORITY")**  
22 **SUBORDINATE LIEN JOINT WATER AND SEWER SYSTEM**  
23 **REFUNDING REVENUE BONDS, SERIES 2014 IN THE AGGREGATE**  
24 **PRINCIPAL AMOUNT OF \$183,425,000 (THE "SERIES 2014**  
25 **BONDS"); ESTABLISHING CERTAIN DETAILS OF THE SERIES 2014**  
26 **BONDS; PROVIDING FOR THE PAYMENT OF THE COSTS OF**  
27 **ISSUANCE OF THE SERIES 2014 BONDS; APPROVING**  
28 **DISCLOSURE AND OTHER DOCUMENTS RELATING TO THE**  
29 **SERIES 2014 BONDS; AND RATIFYING ACTION PREVIOUSLY**  
30 **TAKEN IN CONNECTION THEREWITH.**

31 The Confirming Resolution authorizes the issuance of the Albuquerque Bernalillo  
32 County Water Utility Authority Subordinate Lien Joint Water and Sewer System  
33 Refunding Revenue Bonds, Series 2014, in the aggregate principal amount of

1 \$183,425,000 (the "Series 2014 Bonds") to J.P. Morgan Securities LLC; establishes the  
2 interest rates and maturity schedule for the Series 2014 Bonds; makes certain  
3 appropriations of the proceeds of the Bonds; and provides other details concerning the  
4 Bonds. Complete copies of the Confirming Resolution are available for public  
5 inspection during normal and regular business hours at the offices of the Water  
6 Authority, One Civic Plaza, NW, Albuquerque, New Mexico.

7 Dated this 20<sup>th</sup> day of August, 2014.

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1 PASSED AND ADOPTED THIS 20<sup>TH</sup> DAY OF AUGUST, 2014. BY A VOTE OF  
2 \_\_\_\_\_ FOR AND \_\_\_\_\_ AGAINST.

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CHAIR

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ATTEST:

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SECRETARY

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