



Meeting Date: 06/19/07

ACTION	TYPE OF ITEM
<input type="checkbox"/> Approved Recommendation	<input checked="" type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other

Prepared By: Michael More *mm* Agenda Item No. I-10

Reviewed By: City Manager *[Signature]* City Attorney *[Signature]* Finance SW Other *(Specify)*

DATE: June 12, 2007

TO: City Council

FROM: Michael More, Financial Services Manager
Finance Department

SUBJECT: Interest Rate Swaps Agreement on Existing Variable Rate Bonds

RECOMMENDATION

That City Council:

1. Adopt a resolution authorizing the execution and delivery of a Swap Agreement (A-6889) between the City of Oxnard and Royal Bank of Canada pertaining to the outstanding City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds, 2003 Series B, and authorizing certain actions in connection therewith.
2. Adopt a resolution authorizing the execution and delivery of a Swap Agreement (A-6890) between the City of Oxnard and Royal Bank of Canada pertaining to the outstanding City of Oxnard Financing Authority Variable Rate Demand Wastewater Revenue Bonds (Headworks And Septic System Conversion Projects), 2004 Series B, and authorizing certain actions in connection therewith.

DISCUSSION

The current interest rate yield curve has provided an attractive opportunity to essentially 'lock-in' a fixed rate on two of the City's outstanding bond issues for a 30-year period at no out-of-pocket cost to the City. This is accomplished through the execution of an interest rate swap agreement for each bond issue with a commercial bank acting as a swap counterparty (the "Swap Provider"). For example, the City agrees to pay the Swap Provider a predetermined fixed interest rate. The Swap Provider agrees to pay to the City a variable interest rate payment, thereby offsetting the variable rate payment the City makes on the Bonds. The net result for the City is one fixed rate payment to the Swap Provider. Fixed rate payments provide more certainty in the budgeting process and reduce the occurrence of budget variances due to rising or falling variable interest rates, which can be highly volatile.

A swap agreement, along with a policy on interest rate swaps, was approved by the City Council on

Interest Rate Swaps on Existing Variable Rate Bonds

June 12, 2007

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November 21, 2006 in conjunction with the City's approval of the City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006.

The City Of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds, 2003 Series B ("2003B Bonds") were originally issued in December 2003 to finance the construction of the downtown parking garage and the South Oxnard Branch Library. The City Of Oxnard Financing Authority Variable Rate Demand Wastewater Revenue Bonds, 2004 Series B ("2004B Bonds") were originally issued in November 2004 to finance the construction of the Headworks and Septic System Conversion projects. Both the 2003B Bonds and the 2004B Bonds bear a variable interest rate which is reset on a weekly basis. The current rate on both bond issues at this time is approximately 3.76 percent. The rate that the City will pay on the swap for a 30-year period is estimated at 3.85 percent, a mere 9 basis points more than the current variable rate.

Staff recommends the adoption of the attached resolutions, authorizing the execution and delivery of A-6889 and A-6890 ("Swap Agreements") between the City and the Royal Bank of Canada (the "Bank"). The Bank maintains the highest issuer credit rating possible by Moody's, "Aaa". The proposed Swap Agreements conform to the City's adopted swap policy.

FINANCIAL IMPACT

By taking this action, there is no financial impact to the general fund or the wastewater fund. Going forward, staff will be able to budget debt service payments more precisely, facilitating budget management.

MJM

Attachments

- #1 - Resolution authorizing the execution and delivery of a Swap Agreement (A-6889) pertaining to the outstanding City Of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds, 2003 Series B, and authorizing certain actions in connection therewith
- #2 - Resolution authorizing the execution and delivery of a Swap Agreement (A-6890) pertaining to the outstanding City Of Oxnard Financing Authority Variable Rate Demand Wastewater Revenue Bonds (Headworks And Septic System Conversion Projects), 2004 Series B, and authorizing certain actions in connection therewith
- #3 - Swap Agreement – 2003B Bonds
- #4 - Swap Agreement – 2004B Bonds

Note: Attachments No. 3 and 4 have been provided to the City Council. Copies are available for review at the Circulation Desk in the Library after 6:00 p.m. on the Thursday prior to the Council meeting and at the City Clerk's Office after 8:00 a.m. on Monday.

000138

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
OXNARD AUTHORIZING THE EXECUTION AND
DELIVERY OF A SWAP AGREEMENT PERTAINING TO THE
OUTSTANDING CITY OF OXNARD FINANCING
AUTHORITY VARIABLE RATE DEMAND LEASE REVENUE
BONDS, 2003 SERIES B, AND AUTHORIZING CERTAIN
ACTIONS IN CONNECTION THEREWITH

WHEREAS, on or about December 4, 2003, the City of Oxnard Financing Authority, a joint exercise of powers entity organized and existing under the laws of the State of California (the "Authority"), issued \$14,750,000 in aggregate principal amount of City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds, 2003 Series B (the "Bonds"), of which \$13,410,000 in aggregate principal amount are outstanding as of the date hereof; and

WHEREAS, the Bonds were issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California), a Trust Agreement, dated as of December 1, 2003, as amended by a First Supplement to Trust Agreement, dated as of April 1, 2007, each by and among the City of Oxnard, a municipal corporation organized and existing under and by virtue of the constitution and laws of the State of California (the "City"), the Authority, and Wells Fargo Bank, National Association, as trustee, and Resolution No. 15 adopted by the Governing Board of the Authority on July 10, 2003; and

WHEREAS, the Bonds are secured by certain rental payments (the "Base Rental") made by the City under and pursuant to a Master Lease and Option to Purchase, dated as of December 1, 2003 (the "Lease"), by and between the Authority and the City, which Base Rental payments are sufficient to provide the amount necessary to pay the principal of and interest on the Bonds; and

WHEREAS, in order to hedge its obligations to pay Base Rental under the Lease, the City proposes that the City and the Royal Bank of Canada, as swap provider (the "Swap Provider"), enter into an interest rate exchange agreement, consisting of an ISDA (International Swap Dealers Association, Inc.) Master Agreement, including the related Schedule, Credit Support Annex, and Confirmation pertaining thereto (collectively, the "Swap Agreement"), which Swap Agreement, among other matters, shall provide that the City shall pay the Swap Provider a fixed rate of interest to be specified in the Confirmation on a notional amount to be specified in the Confirmation and that that the Swap Provider shall pay the City a variable rate of interest based upon indices to be specified in the Confirmation on such notional amount; and

WHEREAS, the City proposes to select an insurer to insure the City's payments to the Swap Provider under the Swap Agreement and to undertake all acts necessary to obtain such insurance; and

WHEREAS, this City Council of the City (this "City Council") has determined that the entering into of the Swap Agreement does not require approval of the qualified electors of the City; and

WHEREAS, the form of the Swap Agreement is on file with the City Clerk of the City (the "City Clerk") and has been submitted to this City Council, and the Interim Finance Director of the City (the "Finance Director"), has examined and approved such document and has recommended that this City Council direct the completion, where appropriate, and the execution and delivery of such document and the consummation of the transaction contemplated thereby;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF OXNARD DOES HEREBY FIND, DETERMINE, RESOLVE, AND ORDER AS FOLLOWS:

SECTION 1. The foregoing recitals, and each of them, are true and correct.

SECTION 2. The Swap Agreement is approved in substantially the form on file with the City Clerk. The Finance Director is authorized and directed, for and in the name of the City, to execute and deliver the Swap Agreement with such changes, insertions, and omissions as the Finance Director shall require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. Pursuant to and in accordance with California Government Code Section 5922, this City Council determines that the Swap Agreement is designed to reduce the amount of interest rate risk or result in a lower cost of borrowing when used in combination with the Lease securing the payment of the Bonds.

SECTION 3. The Finance Director is authorized to select a municipal bond insurer to insure the City's payments to the Swap Provider under the Swap Agreement and to undertake all acts necessary to obtain such insurance, if the Finance Director determines that it is in the best interest of the City to obtain such insurance.

SECTION 4. The Mayor of the City (the "Mayor"), the Mayor Pro-Tem of the City (the "Mayor Pro-Tem"), the City Clerk, the Finance Director, and any other proper officer of the City are authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents necessary or proper for carrying out the transactions contemplated by the Swap Agreement and this Resolution and to execute and deliver any and all certificates and representations necessary and desirable to accomplish the transactions described in the Swap Agreement and this Resolution or as set forth above.

SECTION 5. Any document the execution of which by the Mayor is authorized by this Resolution shall, in the absence or inability to act of the Mayor, be executed by the Mayor Pro-Tem or by any authorized designee of the Mayor or the Mayor Pro-Tem. Any document the execution of which by the City Clerk is authorized by this Resolution shall, in the absence or inability to act of the City Clerk, be executed by any person so designated in writing by the City Clerk or by any other proper officer of the City acting on behalf of the City Clerk. Any document the execution of which by the Finance Director is authorized by this Resolution shall, in the absence or inability to act of the Finance Director, be executed by the Financial Services Manager of the City or, in the absence or inability to act of such Financial Services Manager, by

any other person so designated in writing by the Finance Director or by any other proper officer of the City acting on behalf of the Finance Director.

SECTION 6. All actions previously taken by this City Council and by the officers and staff of the City with respect to the matters addressed by this Resolution are approved, ratified, and confirmed.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

SECTION 7. This Resolution shall take effect from and after its date of adoption.

APPROVED AND ADOPTED this 19th day of June, 2007, by the following vote:

AYES:

NOES:

ABSENT:

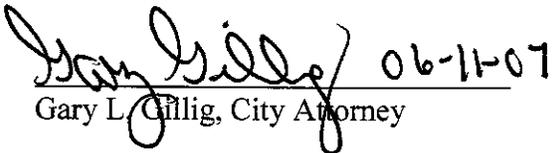
ABSTAIN:

Dr. Thomas E. Holden, Mayor

ATTEST:

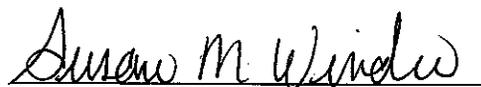
Daniel Martinez, City Clerk

APPROVED AS TO FORM:

 06-11-07

Gary L. Gillig, City Attorney

APPROVED AS TO CONTENT:



Susan M. Winder,
Interim Finance Director

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
OXNARD AUTHORIZING THE EXECUTION AND
DELIVERY OF A SWAP AGREEMENT PERTAINING TO THE
OUTSTANDING CITY OF OXNARD FINANCING
AUTHORITY VARIABLE RATE DEMAND WASTEWATER
REVENUE BONDS (HEADWORKS AND SEPTIC SYSTEM
CONVERSION PROJECTS), 2004 SERIES B, AND
AUTHORIZING CERTAIN ACTIONS IN CONNECTION
THEREWITH

WHEREAS, on or about November 18, 2004, the City of Oxnard Financing Authority, a joint exercise of powers entity organized and existing under the laws of the State of California (the "Authority"), issued \$23,975,000 in aggregate principal amount of City of Oxnard Financing Authority Variable Rate Demand Wastewater Revenue Bonds (Headworks and Septic System Conversion Projects), 2004 Series B (the "Bonds"), of which \$23,975,000 in aggregate principal amount are outstanding as of the date hereof; and

WHEREAS, the Bonds were issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California), an Indenture, dated as of November 1, 2004, by and between the Authority and Wells Fargo Bank, National Association, as trustee, and Resolution No. 16 adopted by the Governing Board of the Authority on January 21, 2004, as supplemented and amended by Resolution No. 21 adopted by the Governing Board of the Authority on May 19, 2004, as supplemented and amended by Resolution No. 22 adopted by the Governing Board of the Authority on September 21, 2004; and

WHEREAS, the Bonds are secured by certain installment payments (the "Installment Payments") made by the City of Oxnard, a municipal corporation organized and existing under and by virtue of the constitution and laws of the State of California (the "City"), under and pursuant to an Installment Purchase Agreement, dated as of November 1, 2004 (the "Installment Purchase Agreement"), by and between the Authority and the City, which Installment Payments are sufficient to provide the amount necessary to pay the principal of and interest on the Bonds; and

WHEREAS, in order to hedge its obligations to pay Installment Payments under the Installment Purchase Agreement, the City proposes that the City and the Royal Bank of Canada, as swap provider (the "Swap Provider"), enter into an interest rate exchange agreement, consisting of an ISDA (International Swap Dealers Association, Inc.) Master Agreement, including the related Schedule, Credit Support Annex, and Confirmation pertaining thereto (collectively, the "Swap Agreement"), which Swap Agreement, among other matters, shall provide that the City shall pay the Swap Provider a fixed rate of interest to be specified in the Confirmation on a notional amount to be specified in the Confirmation and that that the Swap

Provider shall pay the City a variable rate of interest based upon indices to be specified in the Confirmation on such notional amount; and

WHEREAS, the City proposes to select an insurer to insure the City's payments to the Swap Provider under the Swap Agreement and to undertake all acts necessary to obtain such insurance; and

WHEREAS, this City Council of the City (this "City Council") has determined that the entering into of the Swap Agreement does not require approval of the qualified electors of the City; and

WHEREAS, the form of the Swap Agreement is on file with the City Clerk of the City (the "City Clerk") and has been submitted to this City Council, and the Interim Finance Director of the City (the "Finance Director"), has examined and approved such document and has recommended that this City Council direct the completion, where appropriate, and the execution and delivery of such document and the consummation of the transaction contemplated thereby;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF OXNARD DOES HEREBY FIND, DETERMINE, RESOLVE, AND ORDER AS FOLLOWS:

SECTION 1. The foregoing recitals, and each of them, are true and correct.

SECTION 2. The Swap Agreement is approved in substantially the form on file with the City Clerk. The Finance Director is authorized and directed, for and in the name of the City, to execute and deliver the Swap Agreement with such changes, insertions, and omissions as the Finance Director shall require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. Pursuant to and in accordance with California Government Code Section 5922, this City Council determines that the Swap Agreement is designed to reduce the amount of interest rate risk or result in a lower cost of borrowing when used in combination with the Installment Purchase Agreement securing the payment of the Bonds.

SECTION 3. The Finance Director is authorized to select a municipal bond insurer to insure the City's payments to the Swap Provider under the Swap Agreement and to undertake all acts necessary to obtain such insurance, if the Finance Director determines that it is in the best interest of the City to obtain such insurance.

SECTION 4. The Mayor of the City (the "Mayor"), the Mayor Pro-Tem of the City (the "Mayor Pro-Tem"), the City Clerk, the Finance Director, and any other proper officer of the City are authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents necessary or proper for carrying out the transactions contemplated by the Swap Agreement and this Resolution and to execute and deliver any and all certificates and representations necessary and desirable to accomplish the transactions described in the Swap Agreement and this Resolution or as set forth above.

SECTION 5. Any document the execution of which by the Mayor is authorized by this Resolution shall, in the absence or inability to act of the Mayor, be executed by the Mayor Pro-Tem or by any authorized designee of the Mayor or the Mayor Pro-Tem. Any document the execution of which by the City Clerk is authorized by this Resolution shall, in the absence or

inability to act of the City Clerk, be executed by any person so designated in writing by the City Clerk or by any other proper officer of the City acting on behalf of the City Clerk. Any document the execution of which by the Finance Director is authorized by this Resolution shall, in the absence or inability to act of the Finance Director, be executed by the Financial Services Manager of the City or, in the absence or inability to act of such Financial Services Manager, by any other person so designated in writing by the Finance Director or by any other proper officer of the City acting on behalf of the Finance Director.

SECTION 6. All actions previously taken by this City Council and by the officers and staff of the City with respect to the matters addressed by this Resolution are approved, ratified, and confirmed.

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SECTION 7. This Resolution shall take effect from and after its date of adoption.

APPROVED AND ADOPTED this 19th day of June, 2007, by the following vote:

AYES:

NOES:

ABSENT:

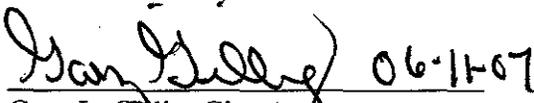
ABSTAIN:

Dr. Thomas E. Holden, Mayor

ATTEST:

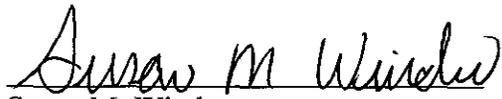
Daniel Martinez, City Clerk

APPROVED AS TO FORM:

 06-11-07

Gary L. Gillig, City Attorney

APPROVED AS TO CONTENT:



Susan M. Winder,
Interim Finance Director