To: Budget and Fiscal Affairs Committee

From: Kelly Dowe, Interim Director
       Finance Department

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       Finance Department

Date: January 10, 2011

Subject: Combined Utility System First
         Lien Revenue Refunding
         Bonds, Series 2011A

The purpose of this memorandum is to summarize an upcoming transaction, the City’s
Combined Utility System First Lien Revenue Refunding Bonds, Series 2011A (the “Series
2011A Bonds”). A specific Request for Council Action will be brought before City Council in
early February. The bond pricing is projected to take place in mid to late February and the
closing to occur in early March.

In 2004, the City sold the Series 2004C-1 and Series 2004C-2 Combined Utility System First
Lien Revenue Refunding Bonds as auction rate securities. Due to auction rate market
difficulties in May 2008, $274 million of these bonds were remarketed into a 3-year term rate
mode with a mandatory tender date of May 15, 2011. These bonds must be remarketed,
refunded or defeased by this mandatory tender date.

The Finance Working Group recommends refunding the bonds with fixed rate bonds to reduce
the Combined Utility System’s variable rate exposure and that these Series 2011A Bonds be
issued through a negotiated financing with an underwriting and legal team to be named in the
Request for Council Action.

Recommendation

The Finance Working Group recommends that the City proceed with this transaction.