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Sedgwick County

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Legislation Details (With Text)

File #:	15-0397	Version:	1	Name:	Mortgage backed securities authorization
Type:	Consent	Status:		Status:	Consent Agenda
File created:	5/28/2015	In control:		In control:	Board of Sedgwick County Commissioners
On agenda:	8/5/2015	Final action:		Final action:	

Title: A resolution authorizing the execution and delivery of all necessary documents in connection with the sale of the securities acquired with the proceeds of the Sedgwick County, Kansas and Shawnee County, Kansas single family mortgage revenue bonds (Mortgage-Backed Securities Program), 2006 series A-1, A-2, A-3, A-4, A-5, A-6 and 2006 series B-1 and B-2 ; authorizing the execution and delivery of instructions relating to the defeasance and redemption of such bonds; and authorizing the officers, employees and representatives of Sedgwick County, Kansas, to do and perform all things necessary, appropriate and incidental thereto under the authority of the act.

Sponsors:

Indexes:

Code sections:

Attachments: 1. 2015-07-09 Sale of MBS Report FINAL.pdf, 2. MBS 2006 A&B resolution.pdf

Date	Ver.	Action By	Action	Result
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A resolution authorizing the execution and delivery of all necessary documents in connection with the sale of the securities acquired with the proceeds of the Sedgwick County, Kansas and Shawnee County, Kansas single family mortgage revenue bonds (Mortgage-Backed Securities Program), 2006 series A-1, A-2, A-3, A-4, A-5, A-6 and 2006 series B-1 and B-2 ; authorizing the execution and delivery of instructions relating to the defeasance and redemption of such bonds; and authorizing the officers, employees and representatives of Sedgwick County, Kansas, to do and perform all things necessary, appropriate and incidental thereto under the authority of the act.

Background:

In 2006, Sedgwick and Shawnee Counties jointly issued their Single Family Mortgage Revenue Bonds 2006 series A-1, A-2, A-3, A-4, A-5, A-6 and 2006 series B-1 and B-2. These Single Family Mortgage Revenue Bonds provided a total of \$210,000,000 to be used in the provision of home mortgages for low and moderate income families in Kansas. Of the total original issue amount, \$22,265,000 remains outstanding. Each series has a maturity date between 2023 and 2038, and each series can be redeemed prior to maturity on one of two call dates: December 1, 2015, or June 1, 2016.

This resolution will allow Sedgwick County to exercise the optional call on these eight bond issues by selling the Mortgage-Backed Securities (MBS) that secure these bond issues, and using the sale proceeds to repay the bondholders. Between the sale date and the call date, the proceeds would be invested. Selling the securities prior to the maturity dates and using the proceeds to redeem the original bonds on the call dates will permit the counties to lock in gains that could be lost if market conditions changed adversely prior to maturity.

Alternatives: The BoCC could choose to do nothing and allow the bonds to mature, or it could defer action until the scheduled call dates of December 1, 2015 and June 1, 2016.

Financial Considerations:

The underwriters, George K. Baum & Company, have determined that current market conditions may permit the redemption or purchase of one or more series of the outstanding bonds at purchase prices that will result in savings to the Issuers. The underwriters plan to sell the MBS's at a premium and redeem the remaining outstanding issue of the bonds. The underwriters have provided an analysis dated April 30, 2015, showing gains to the issuers (ie, the residual remaining after the transaction is completed) of \$2,526,392. The actual gains, if any, will be determined by market conditions at the time of the transactions. The gains would be split between the two counties, with Sedgwick County receiving 55% and Shawnee County receiving 45%. Any gains received by Sedgwick County will be deposited in the General Fund.

Sedgwick County's financial advisor, Springsted, Inc., independently has evaluated the proposal and concluded:

"Current prepayment levels suggest that waiting or proceeding will probably produce a similar return, but there is no guarantee that prepayment levels will stay at their current levels. If they increase, the residual realized by waiting will decrease. The factors influencing prepayment speeds are too varied to be able to predict them. By proceeding at this time, the County locks in a quantifiable return."

The Springsted evaluation report is attached.

Legal Considerations:

K.S.A. 12-5219 et seq. as amended, and the Constitution and laws of the State of Kansas permit cities and counties to issue revenue bonds jointly with other cities and counties to make mortgage loans, to pledge the mortgage notes and mortgages relating to such mortgage loans as security in payment of the principal of and interest on any such revenue bonds, and to enter into any agreements made in connection therewith. A simple majority vote is required.

Policy Considerations: N/A