



# WATER AND SEWER REVENUE BOND REFUNDING OPPORTUNITY

OR-19-024

September 17, 2019

# Water and Sewer Revenue Bond Refunding Background

2

- A bond refunding involves issuing new bonds and using the proceeds to pay off old bonds.
  - ▣ New bonds have a lower interest cost.
  - ▣ Similar to refinancing a house.
- Current bond refunding opportunity:
  - ▣ Refund \$6,990,000 of existing bonds.
  - ▣ Estimated present value interest savings of \$369,818.
  - ▣ Amount of outstanding bonds will not increase.
  - ▣ There is no extension to the term of existing debt.

# Water and Sewer Revenue Bond Refunding Estimated Savings

3

FYE 9/30	Old Debt Service	New Debt Service	Annual Savings
2020	\$ 273,302	\$ 204,353	\$ 68,949
2021	271,365	254,400	16,965
2022	274,428	254,400	20,028
2023	2,062,342	1,954,400	107,942
2024	3,191,914	3,081,400	110,514
2025	56,173	70,600	(14,427)
2026	56,173	70,600	(14,427)
2027	1,941,173	1,835,600	105,573
<b>Total</b>	<b>\$ 8,126,870</b>	<b>\$ 7,725,753</b>	<b>\$ 401,117</b>

Preliminary Summary of Results	
Total Debt Service Savings	\$ 401,117
Net Present Value Savings (\$)	\$ 369,818
Net Present Value Savings (%)	5.291%

# Water and Sewer Revenue Bond Refunding

## Delegation of Authority

4

- Texas law provides two options:
  1. Adopt an ordinance with final pricing terms; or
  2. Adopt a delegation ordinance
    - City official or employee sets final pricing terms.
    - Final pricing terms must fall within certain parameters.
- Option 2 provides flexibility to choose the pricing date based on favorable market conditions.
  - ▣ City Manager and Mayor have been appointed Pricing Officer by delegation in the past.

# Water and Sewer Revenue Bond Refunding Delegation of Authority

5

- Delegation ordinance parameters:
  - ▣ Maximum principal amount refunded: \$7,500,000
    - Higher than the \$6,990,00 to allow for additional bonds to be refunded if market conditions permit (additional interest savings).
  - ▣ Maximum maturity date: 08/15/2027
  - ▣ Minimum net present value savings: 3.5%
  - ▣ Eligible outstanding bonds: Water and Sewer revenue bonds within the above parameters.
- Amount of outstanding bonds will not increase.
- There is no extension to the term of existing debt.

# Water and Sewer Revenue Bond Refunding Estimated Timeline

6

Date	Action
September 18, 2019	Application to Standard and Poor's for bond rating.
September 24, 2019	City Council considers Delegation Ordinance.
September 25, 2019	Preliminary Official Statement issued to underwriters.
September 26, 2019	Rating conference call.
October 1, 2019	Rating is received and published.
October 3, 2019	Refunding bonds priced and awarded.
October 22, 2019	Funds delivered to paying agent.

# Water and Sewer Revenue Bond Refunding Recommendation

7

Staff recommends City Council approve the ordinance authorizing the issuance and sale of the Waterworks and Sewer System Revenue Refunding Bonds.