



Legislation Text

File #: ID 17-0519, **Version:** 1

Ordinance in the Amount of \$75,499,335 Amending the FY 17-18 Water Resources Enterprise Fund for Refinancing 2016 Revenue Bond Anticipation Note and Series 2009A Revenue Bonds

Department: Financial & Administrative Services
Council District: All

Public Hearing: N/A
Advertising Date/By: N/A

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PURPOSE: To amend the Water Resources Enterprise Fund to provide appropriations in the amount of \$75,499,335 to record the proposed August 2017 revenue bond issue to refinance a \$43.3 million bond anticipation note issued April 2016 and \$29.6 million Series 2009A Revenue Bonds.

BACKGROUND: In March 2016, the City authorized a \$50.0 million Revenue Bond Anticipation Note (BAN) under an interest-only construction draw program. In June 2017 the City proposed to sell up to \$110 million in fixed interest Revenue Bonds in July 2017, to refinance approximately \$43.3 million borrowed under the note program, to issue approximately \$27.2 million to fund additional water and sewer projects approved by City Council and that are currently under contract, and refinance \$29.6 million water and sewer revenue bonds issued in 2009 to a lower interest rate.

On July 26, 2017 the City sold the Series 2017A revenue bonds of approximately \$70.5 million with an average fixed interest cost of 3.27% over their 30-year term. It also sold the Series 2017B revenue refunding bonds (refinancing \$29.6 million bonds issued in 2009) with an average fixed interest cost of 2.16% over their remaining 14-year term. The outstanding 2009 bonds have an average interest rate of 4.75% and refinancing the interest rate to 2.16% will result in an estimated savings of \$5.3 million (about \$420,000 per year over the remaining 14-year term of the bonds). This bond financing will close on or about August 17, 2017.

The revenue bonds will be issued pursuant to a supplemental trust agreement with U.S. Bank (bond trustee) and a bond purchase agreement with Merrill Lynch, Pierce, Fenner & Smith, Incorporated (Bank of America) and co-underwriters Loop Capital Markets and Wells Fargo Bank.

BUDGET IMPACT: Annual debt service will be paid from the Water Resources Fund. Average debt service on the new money issued will be approximately \$3.7 million per year over a 30-year period. Savings from refunding the Series 2009A Revenue Bonds will offset debt service costs spread over the remaining 14-year term.

RECOMMENDATION / ACTION REQUESTED: The Finance and Legal Departments recommend

approval of the attached ordinance in the amount of \$75,499,335 to provide appropriations to record the refinancing for the 2016 Bond Anticipation Note and Series 2009A Revenue Bonds.