



City Council Report

Date: April 6, 2026
To: City Council
Through: Scott Butler, City Manager
Michael Kennington, Deputy City Manager/Chief Financial Officer
From: Mark Hute, Treasurer
Subject: Sale of 2026 Utility Systems Revenue Obligations

Purpose and Recommendation

The purpose of this item is for the City Council to authorize the sale of utility systems revenue obligations to (1) finance utility systems capital projects and to (2) refund (refinance) existing utility debt over the same timeframe at a lower cost.

It is recommended that the Council authorize the sale of the following debt issuances:

- Utility Systems Revenue Obligations, Series 2026A (the “Series 2026A Obligations”)
 - Utility Systems Revenue Obligations, Series 2026B* (the “Series 2026B Obligations”)
- Combined Principal: not-to-exceed \$341,000,000

**The Series 2026B Obligations are issued for capacity fee projects*

- Utility Systems Revenue Refunding Obligations, Series 2026 (the “Series 2026 Refunding Obligations”)
- Principal: not-to-exceed \$225,000,000

Background

The City operates and maintains water, wastewater, natural gas, and electric utility systems, in addition to solid waste collection and disposal services.

The City regularly issues new debt to finance capital spending on its utility systems. Financing long-term utility infrastructure allows the City to meet its capital needs while allowing for customers who benefit from the infrastructure to pay for it as it is being used.

The proposed refunding is similar to refunding transactions that the City has completed in previous years. It reflects the City’s ability to take advantage of lower interest rates to achieve debt service savings for the City.

Discussion

New Project Spending

The City plans to use the proceeds from the proposed utility obligations to pay for the purchase, design, and/or construction of capital projects through calendar year 2026 (although project spending may vary).

Table 1 below shows planned project spending for the Series 2026A Obligations and the Series 2026B Obligations.

Table 1: Proposed 2026 Utility Systems Revenue Obligations Proceeds

Utility System	Series 2026A Obligations	Series 2026B Obligations	Total
Natural Gas	\$ 31,000,000	\$ 0	\$ 31,000,000
Wastewater	33,000,000	12,000,000	45,000,000
Water	115,000,000	150,000,000	265,000,000
Total	\$ 179,000,000	\$ 162,000,000	\$ 341,000,000

Attachment A – Project List is a list of projects planned to be funded with the proceeds of the Series 2025A Obligations.

Attachment B – Capacity Fee Project List is a list of projects planned to be funded with the proceeds of the Series 2025B Obligations.

Refunding (Refinancing) Existing Debt

The proceeds from the sale of the Series 2026 Refunding Obligations would be used to redeem (pay off) or partially redeem existing Utility Systems Revenue Bonds issued between 2013 and 2016 (the “Bonds Being Refunded”).

The Series 2026 Refunding Obligations would replace the Bonds Being Refunded with maturities through 2038 at a lower cost, after accounting for all transaction costs. The savings would accrue to the City’s utility debt service fund.

Structure

Attachment C – Debt Service Table shows the structure of existing utility debt service from bonds and obligations, estimated debt service savings from the proposed refunding transaction, and new debt service resulting from the other proposed issuances.

The proposed utility obligations meet the City’s legal revenue coverage requirements and other parity tests.

Timeframe

The City is scheduled to price the proposed Series 2026A Obligations and Series 2026B Obligations the week of May 25 and close the transaction (receive the proceeds) on June 25.

The City is scheduled to price the proposed Series 2026 Refunding Obligations the week of May 4 or 11 and close the transaction on June 4.

Alternatives

The Council may choose not to proceed with the sale of the proposed utility obligations at this time. The City could:

- cancel new debt-funded projects still in the planning stage
- utilize reserves to pay cash for projects already in progress
- pay higher than market interest rates on the Bonds Being Refunded

These alternatives are not recommended as they would reduce City reserves or prevent completion of capital projects that are in various stages of planning and construction. Cost savings would not be realized in the refunding transaction.

Fiscal Impact

Debt service on the proposed utility obligations is included in the City's utility fund forecast. New utility debt service is paid from (1) revenue collected through utility rates charged by the individual utilities and (2) revenue collected from capacity fees. Debt service from the new issuances is structured so that, when combined with the City's current outstanding debt, a stable overall debt structure is achieved.

Until the Series 2026 Refunding Obligations are issued, municipal debt market conditions would be monitored to ensure that the transaction would have a net present value savings exceeding 3% of the debt service amount on the Bonds Being Refunded, as required by the City's financial policies.

Preliminary savings estimates from the proposed refunding transaction are shown in the Table 2 below:

Table 2: Estimated Refunding Savings

Estimated Savings \$ (Gross)	Estimated Savings % of debt service (NPV)
\$13.6 million	4.2%

Coordination

The legal documents for the debt issuance are prepared by Zach Sakas at Greenberg Traurig, the City's special counsel.

The City's municipal advisors, Janelle Gold and Zac Lara at Hilltop Securities, prepared many of the schedules and other financial information included in the issuance documents.

The following City departments coordinated on the proposed utility obligations issuances:

- City Attorney
- City Manager
- Energy Resources
- Engineering
- Finance
- Management and Budget
- Water Resources