



City Council Report

Date: April 19, 2021
To: City Council
Through: Chris Brady, City Manager
Michael Kennington, Deputy City Manager/Chief Financial Officer
From: Ryan Wimmer, Treasurer
Subject: Sale of 2021 Utility Systems Revenue Refunding Bonds

Purpose

The purpose of the proposed utility bond refunding is to allow the City to take advantage of favorable interest rates in the municipal bond markets to refund (refinance) existing bonds over the same timeframe at a lower cost.

Council approval of the refunding item would authorize the sale of the following issuance of bonds:

Series 2021 Utility Systems Revenue Refunding Bonds (the "Series 2021 Refunding Bonds")
Principal: not-to-exceed \$53,950,000

The proceeds from the sale of the Series 2021 Refunding Bonds would be used to redeem early the following previously issued bonds:

Series 2011 Utility Systems Revenue Bonds (the "Bonds Being Refunded")
Principal: \$53,950,000

Background

The Bonds Being Refunded were issued in 2011 with a single maturity in 2035 and pay annual interest of 5%. The Bonds Being Refunded are subject to optional redemption on or after July 1, 2021.

Discussion

The Series 2021 Refunding Bonds would replace the Bonds Being Refunded with a single maturity in 2035 at a significantly lower cost (also accounting for transaction costs). The refunding savings would accrue to the City's utility debt service funds.

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.

Structure

The proposed Series 2021 Refunding Bonds have a final maturity of 14 years. A schedule of existing debt service as well as estimated debt service from the Series 2021 Refunding Bonds can be found in the Estimated Debt Service Requirements and Debt Service Coverage table on page 13 of the attached Preliminary Official Statement (POS).

Fiscal Impact

The municipal bond markets will continue to be monitored to ensure that the Series 2021 Refunding Bonds would have a net present value savings exceeding 3% of the debt service amount of the Bonds Being Refunded, as required by the City's financial policies.

Preliminary estimates of savings from the proposed refunding transaction are as follows:

Estimated Savings \$ (net present value)	Estimated Interest Cost %	Estimated Savings % of principal (net present value)
\$21 million	2.0%	39%

Alternatives

The Council could choose not to proceed with the Series 2021 Refunding Bonds at this time. The City would pay higher than market interest rates on the Bonds Being Refunded after they become eligible for early redemption on July 1, 2021. The City could refund the Bonds Being Refunded at any time in the future after that date.