



**Water & Sewer Revenue Refunding Bonds, Series 2019A  
&  
Water & Sewer Revenue Refunding Bonds, Series 2019B**

**July 10, 2019**

# Transaction Overview

- **Commercial Paper Fix-Out:**

- **The El Paso Water Utilities - Public Service Board (PSB) is proposing to fix-out \$40,000,000 of outstanding commercial paper notes and issue tax-exempt fixed rate bonds.**
  - The PSB started the Commercial Paper Program in 1997 and has utilized it for interim construction financing typically for small projects (< \$5 million).
  - The PSB currently has a maximum funding capacity for commercial paper of \$40 million.

# Water & Sewer System Economic Refunding Summary

- **Due to current market conditions, the following bonds have economic savings benefits:**
  - Series 2010 – Callable on 3/1/2020 \$ 7,435,000
  - Series 2010A – Callable on 3/1/2020 \$24,105,000
  - Series 2011 – Callable on 3/1/2020 \$ 3,180,000

Total Principal: \$34,720,000
- **Current tax legislation allows for bonds to be “Currently Refunded” at tax-exempt rates. A current refunding, by legal definition, allows for bonds to be called within 90 days of the issuance of new “Refunding Bonds.” December 2, 2019, would be the first available date to currently refund Series 2010, Series 2010A, and Series 2011.**
- **In today’s market, the two most viable options to achieve economic benefits of refunding these bonds is to either:**
  - a) **Issue Tax-Exempt Current Refunding Bonds**
    - Wait until November 2019 to price bonds and lock rates for a closing in December; or,
  - b) **Issue Tax-Exempt Forward Delivery Bonds**
    - Lock rates/savings prior to the allowable tax-exempt current refunding date (at a premium) for a closing in December.

Tax-Exempt Refunding Scenarios:

# **CURRENT REFUNDING**

**(PRICING NOVEMBER 2019 & CLOSING DECEMBER 2019)**

# Scenario 1: Current Refunding with STRUCTURED Savings

A	B	C	D	E	F	G	H
Annual Period Ending	Total Existing	Net Effect of	SERIES 2019 (CP TAKE-OUT)			Aggregate Debt	Annual Period Ending
1-Mar	Debt Service	Refunding	Principal	Interest	Total	Service	1-Mar
2020	\$ 70,290,963	\$ -	\$ -	\$ 796,992	\$ 796,992	\$ 71,087,955	2020
2021	67,822,506	(738,919)	-	1,621,000	1,621,000	68,704,587	2021
2022	68,088,718	(718,169)	-	1,621,000	1,621,000	68,991,549	2022
2023	67,991,263	(701,094)	-	1,621,000	1,621,000	68,911,169	2023
2024	67,915,454	(679,125)	-	1,621,000	1,621,000	68,857,329	2024
2025	66,542,699	(660,225)	-	1,621,000	1,621,000	67,503,474	2025
2026	66,108,547	(9,000)	-	1,621,000	1,621,000	67,720,547	2026
2027	63,421,822	(5,800)	2,680,000	1,621,000	4,301,000	67,717,022	2027
2028	56,425,459	(8,256)	3,880,000	1,513,800	5,393,800	61,811,003	2028
2029	51,457,101	(5,025)	3,960,000	1,358,600	5,318,600	56,770,676	2029
2030	45,818,654	(7,200)	4,040,000	1,200,200	5,240,200	51,051,654	2030
2031	41,998,924	(8,063)	4,120,000	1,038,600	5,158,600	47,149,462	2031
2032	36,442,594		2,370,000	873,800	3,243,800	39,686,394	2032
2033	36,248,944		2,465,000	779,000	3,244,000	39,492,944	2033
2034	33,150,080		2,565,000	680,400	3,245,400	36,395,480	2034
2035	30,777,205		2,665,000	577,800	3,242,800	34,020,005	2035
2036	22,022,490		2,775,000	471,200	3,246,200	25,268,690	2036
2037	14,782,708		2,885,000	360,200	3,245,200	18,027,908	2037
2038	7,321,117		3,000,000	244,800	3,244,800	10,565,917	2038
2039	1,594,740		3,120,000	124,800	3,244,800	4,839,540	2039
2040	-					-	2040
Total	\$ 916,221,987	\$ (3,540,875)	\$ 40,525,000	\$ 21,367,192	\$ 61,892,192	\$ 974,573,304	

Maximum:

\$ 71,087,955

Average Interest Cost (Assumes 100 bps above Market Rates of 6.12.19):

4.00%

*Note: For illustration purposes only. Actual debt service requirement figures will be determined at the time of pricing. Illustrated principal debt structure reduces debt load in the first 6 years and takes advantage of the yield curve in years 2027 through 2031.*

Tax-Exempt Refunding Scenarios:

# **FORWARD DELIVERY REFUNDING**

**(PRICING BETWEEN AUGUST 2019 TO OCTOBER 2019 & CLOSING  
DECEMBER 2019)**

# Scenario 2: Forward Delivery Refunding with STRUCTURED Savings

A	B	C	D	E	F	G	H
Annual Period Ending	Total Existing	Net Effect of	SERIES 2019 (CP TAKE-OUT)			Aggregate Debt	Annual Period Ending
1-Mar	Debt Service	Refunding	Principal	Interest	Total	Service	1-Mar
2020	\$ 70,290,963	\$ -	\$ -	\$ 796,992	\$ 796,992	\$ 71,087,955	2020
2021	67,822,506	(693,669)	-	1,621,000	1,621,000	68,749,837	2021
2022	68,088,718	(669,669)	-	1,621,000	1,621,000	69,040,049	2022
2023	67,991,263	(649,594)	-	1,621,000	1,621,000	68,962,669	2023
2024	67,915,454	(629,875)	-	1,621,000	1,621,000	68,906,579	2024
2025	66,542,699	(613,225)	-	1,621,000	1,621,000	67,550,474	2025
2026	66,108,547	(9,250)	-	1,621,000	1,621,000	67,720,297	2026
2027	63,421,822	(6,050)	2,680,000	1,621,000	4,301,000	67,716,772	2027
2028	56,425,459	(8,506)	3,880,000	1,513,800	5,393,800	61,810,753	2028
2029	51,457,101	(10,275)	3,960,000	1,358,600	5,318,600	56,765,426	2029
2030	45,818,654	(7,200)	4,040,000	1,200,200	5,240,200	51,051,654	2030
2031	41,998,924	(8,063)	4,120,000	1,038,600	5,158,600	47,149,462	2031
2032	36,442,594		2,370,000	873,800	3,243,800	39,686,394	2032
2033	36,248,944		2,465,000	779,000	3,244,000	39,492,944	2033
2034	33,150,080		2,565,000	680,400	3,245,400	36,395,480	2034
2035	30,777,205		2,665,000	577,800	3,242,800	34,020,005	2035
2036	22,022,490		2,775,000	471,200	3,246,200	25,268,690	2036
2037	14,782,708		2,885,000	360,200	3,245,200	18,027,908	2037
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2039	1,594,740		3,120,000	124,800	3,244,800	4,839,540	2039
2040	-					-	2040
Total	\$ 916,221,987	\$ (3,305,375)	\$ 40,525,000	\$ 21,367,192	\$ 61,892,192	\$ 974,808,804	

Maximum:

\$ 71,087,955

Average Interest Cost (Assumes 100 bps above Market Rates of 6.12.19):

4.00%

*Note: For illustration purposes only. Actual debt service requirement figures will be determined at the time of pricing. Illustrated principal debt structure reduces debt load in the first 6 years and takes advantage of the yield curve in years 2027 through 2031.*

# Open Market: Parameter Authorization

- **Parameter authorization will enable the sale of the Bonds at optimum timing and structure.**
  - Water & Sewer Revenue Refunding Bonds, Series 2019A (CP Refunding)
  - Water & Sewer Revenue Refunding Bonds, Series 2019B (Economic Refunding)
- **Council delegates final pricing authority to Pricing Officer(s).**
  - John Balliew
  - Marcela Navarrete
  - Arturo Duran
- **Council to approve parameters as recommended by PSB.**
  - Series 2019A (Commercial Paper Refunding)
    - Maximum True Interest Cost – 4.00%
    - Principal Amount of Issue - \$40,525,000
    - Final Maturity Date – December 31, 2039
    - Expiration of Delegated Authority – 6 months
  - Series 2019B (Economic Refunding)
    - Maximum True Interest Cost – 3.00%
    - Principal Amount of Issue - \$35,400,000
    - Minimum Present Value Savings Percentage – 3.00%
    - Expiration of Delegated Authority – 6 months
- **Pricing Officer can only approve sale if all Council parameters are met.**



# Underwriters

- **Staff Recommendation:**
  - **J.P. Morgan Securities (Senior)**
  - **Bank of America (Co-Manager)**

# Timeframe

- **July 10, 2019:** Public Service Board considers request to sell Series 2019A & Series 2019B Bonds
- **August 6, 2019:** City Council considers request to sell Series 2019A & Series 2019B Bonds
- **August 20, 2019:** Tentative pricing for Series 2019A & Series 2019B (Forward Delivery Refunding Method)\*
- **September 17, 2019:** Tentative closing for Series 2019A
- **November 6, 2019:** Tentative pricing for Series 2019B (Current Refunding Method)\*
- **December 4, 2019:** Tentative closing for Series 2019B (Current & Forward Delivery Refunding Method)\*