



Meeting Date: May 25, 2021

Agenda Type: Action Item

From: John Warren
Finance Manager

Reviewed by: Dawn Schriewer
Chief Financial Officer

Submitted by: Dawn Schriewer
Chief Financial Officer

Approved by: Ian Taylor
Chief Executive Officer

RECOMMENDED ACTION: Discuss and Consider Adoption of Resolution #2021-147 Relating to the Issuance of the “City of New Braunfels, Texas, Utility System Revenue Refunding Bonds, Series 2021” and Resolving Other Matters Incident and Related Thereto

BACKGROUND

At the NBU Fiscal Year 2021 Budget Workshop on June 15, 2020, NBU staff had discussed with the Board, NBU’s intent to issue debt of up to \$90.5 million to fund planned capital expenditures in fiscal year 2021 and the utilization of NBU’s Commercial Paper Program, which would allow NBU to remain flexible and liquid with quick access to funds when needed. The Fiscal Year 2021 Budget and Five Year Financial and Operating Plan through Fiscal Year 2025, which contained the above planned bond issuance, was approved by the NBU Board at its June 25, 2020 Board Meeting. NBU staff has determined that refunding the outstanding commercial paper notes will provide the necessary capacity to fund the planned capital expenditures. In light of the fact that major projects are underway and that the current tax-exempt yields are favorable, NBU staff recommends that the Series 2021 bond issuance be initiated.

The Series 2021 bond issuance includes the refunding of up to \$74.75 million in commercial paper notes. The refunding of the outstanding commercial paper notes adheres to NBU’s Financial Policy, which states that NBU will refund the outstanding commercial paper notes with long-term debt once the authorized commercial paper amount is fully utilized or if it is determined that market conditions are no longer favorable for the issuance and remarketing of commercial paper notes. The refunding of the commercial paper notes allows NBU to again utilize the \$75 million in commercial paper capacity and to continue to benefit from access to funds at the usually lower short-term interest repayment rates associated with a commercial paper program.

NBU staff recommends that the Board approve NBU staff, financial advisor, and bond counsel to begin the bond offering process and preparation of documents relating to the issuance of approximately \$74.75 million in revenue refunding bonds. The proposed timeline includes City Council authorization of the issuance of the bonds in June 2021, bond pricing in June 2021, and the closing of the bonds in July 2021.

NBU staff recommends that the Board authorize the “parameter” process for issuing the Series 2021 Bonds. The City is a qualified issuer under Government Code Chapter 1371, which allows the delegation of the authority by the City Council to finalize the bond transaction within certain parameters. Section 1207.007 of the Government Code allows for the parameter delegation of the refunding component of the bond issue. The approval to issue bonds under these authorities would set certain parameters, such as the maximum original principal amount of \$74,750,000, a maximum maturity date that would not exceed July 1, 2051, and a coupon interest rate that would not exceed 6%. If all of these parameters are met, then the ultimate final approval of pricing would be delegated to certain appointed officials, such as the City Manager and CEO of NBU. This process eliminates the strict deadline (timeline) of having to coordinate pricing to the date of a City Council meeting. This gives the City and NBU the flexibility to time its actions in the market by adjusting the pricing in response to potential positive market developments or to avoid adverse market developments. The City Manager would be fully advised once the financing is completed. This approach also has the advantage of not requiring an additional separate City Council meeting to approve the bond issue. This process has been successfully utilized in prior NBU bond offerings and provides flexibility and opportunity to achieve the best pricing of the bonds. A summary of the proposed parameters is attached.

FINANCIAL IMPACT

\$74.75 million plus interest of no more than 6%

LINK TO STRATEGIC PLAN

Maintain a Competitive Bond Rating

EXHIBITS

1. Parameters
2. Resolution