



Series 2024 Bond Issuance

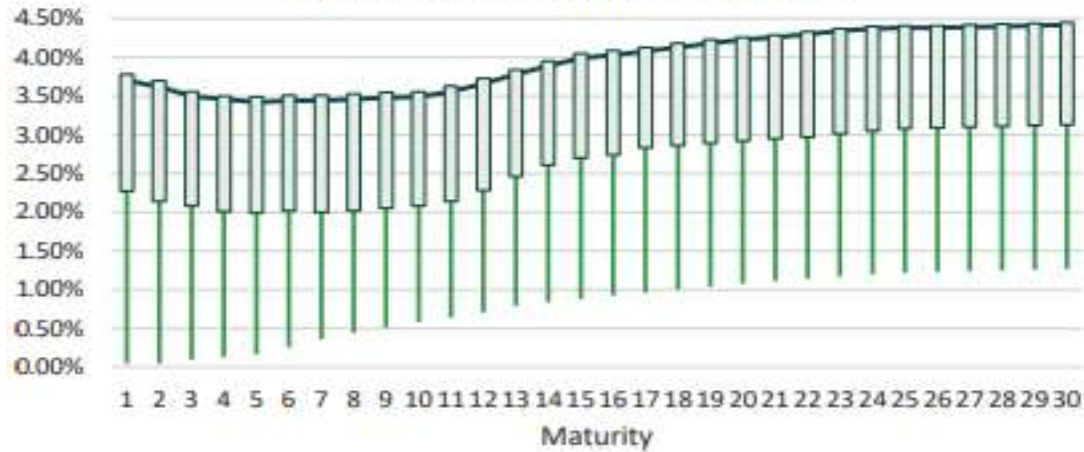
12/14/2023

Market Update

- Fixed income and equity markets have continued to be more volatile as inflationary and geo-political pressures have weighed on the markets.
- The municipal market has seen rates bounce up and down since January 1 with the major trend being up.
 - The yield curve has been inverted with short term rates being higher than medium and longer term rates.
 - There seems to be a general consensus that the Fed may be done with raising the short term rates and many are predicting that we will see the Fed cut rates mid 2024.
 - All things considered the long term fixed tax exempt rates are still at relatively low historic levels.

Rates as of November 1, 2023

1 and 5-Year AAA MMD Yield Ranges



Sources: TM3 and US Treasury

Tax-Exempt MMD Rates

Mty	Current	WoW	MoM	YoY	5Yo5y	MMD/UST
1Yr	3.70%	0.00%	0.45%	0.81%	1.80%	66%
5Yr	3.42%	0.01%	0.49%	0.44%	1.12%	70%
10Yr	3.49%	0.01%	0.49%	0.36%	0.76%	74%
20Yr	4.23%	0.06%	0.50%	0.67%	0.97%	90%
30Yr	4.42%	0.06%	0.48%	0.68%	1.02%	87%
Volatility Range						
1Yr		0.09%	0.53%	1.51%	3.73%	
5Yr		0.13%	0.56%	1.50%	3.33%	
10Yr		0.13%	0.56%	1.48%	2.98%	
20Yr		0.18%	0.53%	1.34%	3.18%	
30Yr		0.18%	0.51%	1.32%	3.18%	

5-Year Historical Yields



Sources: TM3 and US Treasury; Bloomberg, CME FedWatch Tool

Interest Rate Consensus Projections – Bloomberg

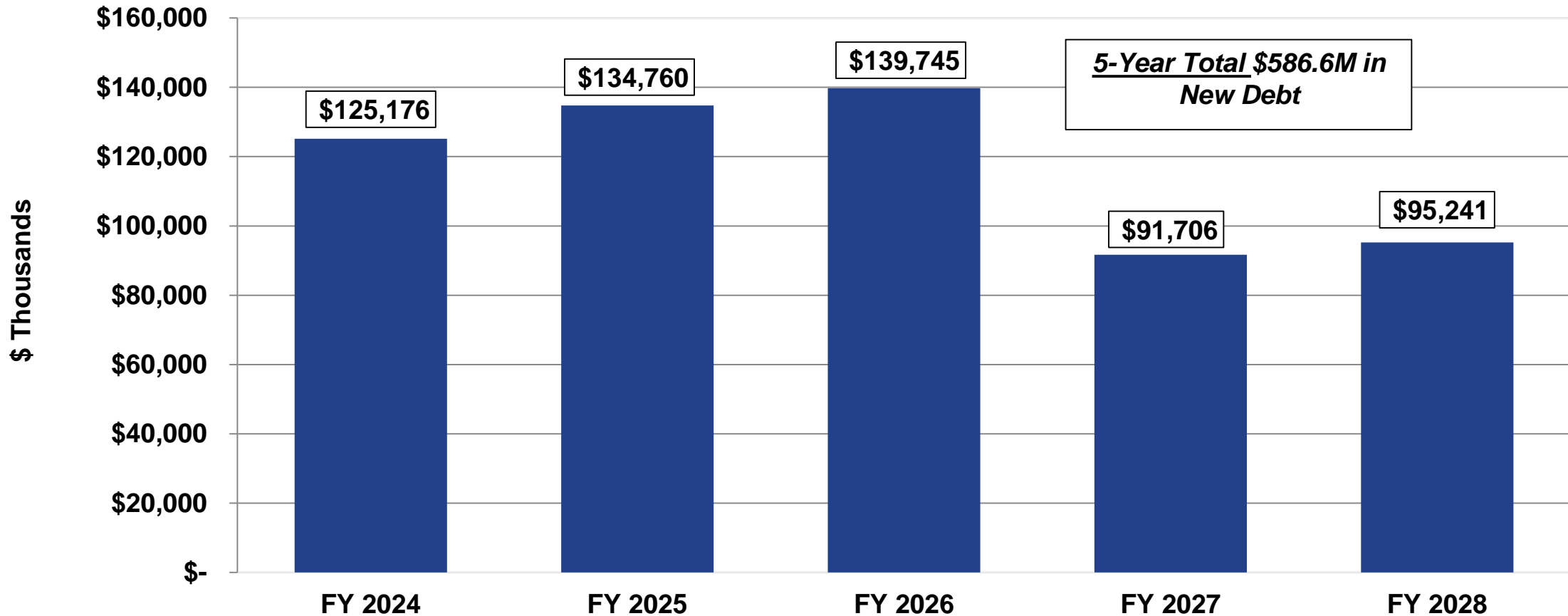
Mty	Current	Q4 23	Q1 24	Q2 24	Q3 24
Fed Funds	5.50%	5.55%	5.45%	5.10%	4.70%
2Yr UST	5.08%	4.73%	4.40%	4.08%	3.78%
10Yr UST	4.82%	4.05%	3.87%	3.73%	3.64%
30Yr UST	4.94%	4.19%	4.05%	3.92%	3.85%

Fed Funds Rate Projections – CME Group

Meeting	-50 bps	-25 bps	0 bps	+25 bps	+50 bps
11/1/23	-	-	88.0%	12.0%	-
12/13/23	-	-	57.1%	38.7%	4.2%
1/31/24	-	-	50.0%	41.0%	8.5%
3/20/24	-	7.5%	48.7%	36.1%	7.3%
5/1/24	2.5%	21.5%	44.4%	26.3%	5.0%
6/12/24	10.0%	30.5%	37.2%	17.9%	3.1%

Debt Funding Requirement

Long-Term Financing



Bond Issuance Details

- The parameter approval under consideration is actually composed of four different components including the refunding, or take out of the commercial paper, the possible inclusion of new money proceeds, and the potential of refunding the Series 2015 and the Series 2016 outstanding bonds for savings.
- The combination of the four components into this one approval is intended to make the process of NBU Board approval and the City Council approval more efficient by getting this completed at one time. It also provides NBU the ability to be flexible and responsive to market conditions without having to start the process of Board and Council approval over again.
- This approval is only valid for six months and will allow for more than one issuance to complete all of the components. For example, the refunding of the CP could be completed in January as planned but the market may be such that the refunding of the outstanding debt does not create any savings. In this scenario, NBU would not complete the refundings in January, but postpone to March, assuming the market has turned in NBU's favor allowing NBU to achieve debt service savings on the potential refunding that exceed the minimum established by the parameter authorization. NBU could still proceed and complete the refundings in a second issuance, with the approval of the NBU CEO and City Manager, because the transaction would then exceed the minimum savings parameter and would occur within six months of the Board and Council approval.
- Additional details are provided on the following page.

Bond Issuance Details

- Refund \$75 million in commercial paper notes – *this component will certainly be issued and completed.*
- Issue up to \$50 million in new money bond proceeds – *this component will only be issued if it is determined the new money is needed and it is cost effective to issue at this time, in an amount not to exceed \$50 million.*
- Refund Series 2015 bond issue in the amount of \$24.705 million – *this component will only be completed if market is favorable for refunding and we can meet or exceed the minimum required savings.*
- Refund Series 2016 bond issue in the amount of \$56.445 million - *this component will only be completed if market is favorable for refunding and we can meet or exceed the minimum required savings.*
- Approximate total issuance in the amount of \$206.150 million, *not to exceed \$208 million – this is the total combined possible amount of the four components described above. The approval would also allow this to be accomplished in more than one issuance as previously described.*

Issuing Debt to Refill Commercial Paper Benefits to NBU

- Interest Rate Savings
Generally carries lower interest repayment rates than bonds due to the short term maturities of CP
- Provides Additional Flexibility
Can match construction funding availability with construction expenditure needs
Can issue CP with maturities tailored to match cash flow needs
- Unused Capacity Noted by Ratings Agencies
Included in Days Liquidity on Hand calculation
- Potential Long-Term Alternative
Can choose to continuously include CP in debt portfolio as additional financing option

Resolution Relating to Bond Issuance

- Recommending a Parameter Order approval which has been successfully utilized in prior NBU bond offerings
- Parameters (Combined Components):
 - Par amount not to exceed \$208,000,000
 - Maximum interest rate not to exceed 6.50%
 - Maximum maturity not to exceed July 1, 2055
 - Minimum net present value savings on the par value of the refunded bonds of at least 3.00% (relates only to the refunding of the Series 2015 and Series 2016)
- The Parameter Order provides flexibility in pricing in times when markets are volatile

Underwriting Team

- HilltopSecurities, Senior Manager
- Piper Sandler & Co., Co-Manager
- Frost Bank, Co-Manager

Bond Issuance Timeline

Date	Item
December 14, 2023	NBU seeks Board approval of bond issuance & underwriting team
December 18, 2023	Rating Agency Meeting
January 8, 2024	NBU seeks City Council approval of bond issuance (parameter authorization)
January 11, 2024	Price bond issuance in the market
February 8, 2024	Delivery and settlement of the bond issuance