



Meeting Date: December 14, 2023 **Agenda Type:** Action Items

From: John Warren **Reviewed by:** Ashley Van Booven
Finance Manager Director of Finance

Submitted by: Dawn Schriever **Approved by:** Ryan Kelso
Chief Financial Officer Interim Chief Executive Officer

RECOMMENDED ACTION: Discuss and Consider Adopting Resolution #2023-181 Relating to the Issuance of the “City of New Braunfels, Texas Utility System Revenue and Refunding Bonds, Series 2024” and Resolving Other Matters Related Thereto

BACKGROUND

During the New Braunfels Utilities (“NBU”) budget workshop on March 27, 2023, NBU staff discussed its desire to issue bonds of up to \$125.2 million to fund planned capital expenditures in fiscal year 2024 and continue the use of its commercial paper program, both of which will allow NBU to remain flexible and liquid with quick access to funds when needed. The Board approved the fiscal year 2024 budget and five-year financial operating plan through fiscal year 2028, including the above planned bond issuances, at its March 30, 2023 Board meeting. NBU’s staff has determined that refunding the outstanding commercial paper notes will provide the necessary capacity to fund planned expenditures in fiscal year 2024. In light of the fact that major projects are underway, NBU staff recommends that the Series 2024 bond issuance be initiated.

The Series 2024 bond issuance includes \$83 million for a potential refunding of the Series 2015 and Series 2016 bond issues and the refunding of up to \$75 million in commercial paper notes. Refunding 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. Refunding the commercial paper notes allows NBU to utilize the \$75 million in commercial paper capacity again and to continue to benefit from access to funds at the usually lower short-term interest repayment rates associated with a commercial paper program. The Series 2024 bond issuance also includes a potential new money component in the amount of up to \$50 million. The Series 2015 bond issue is currently available for optional redemption, while the Series 2016 bond issue will be available for optional redemption on July 1, 2024.

NBU staff recommends that the Board approve NBU staff, financial advisor (SAMCO Capital Markets, Inc.), and bond counsel (Norton Rose Fulbright US LLP) to begin the bond offering process and preparation of documents relating to the issuance of the Series 2024 Bonds. The proposed timeline

includes City Council authorization of the issuance of the bonds in January 2024, bond pricing in January 2024, and the closing of the bonds in February 2024.

NBU staff recommends that the Board authorize the “parameter” process for issuing the Series 2024 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 statutes allows the City Council to set certain parameters, including the maximum original principal amount, a maximum maturity date, a not-to-exceed interest rate, and a minimum net present value savings on the par value of the refunded bonds. 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 timeline of having to coordinate pricing to the date of an NBU Board meeting and a City Council meeting. This process also 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. NBU has successfully utilized this process in prior NBU bond offerings.

A summary of the proposed parameters is as follows:

1. the maximum original principal amount of \$208,000,000;
2. a maximum maturity date that will not exceed July 1, 2055;
3. an interest rate that will not exceed 6.50%; and
4. a minimum net present value savings on the par value of the refunded bonds of at least 3.00%

FINANCIAL IMPACT

The total financial impact of issuing the Series 2024 bonds is \$208 million plus interest of no more than 6.50%

LINK TO STRATEGIC PLAN

Financial Excellence

EXHIBITS

1. Parameters – Series 2024 Bonds
2. Resolution #2023-191