

Legislation Text

File #: 19-185, **Version:** 1

Presenter/Contact

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SUBJECT:

Discuss and consider approval of an ordinance authorizing the issuance of “City of New Braunfels, Texas Utility System Revenue Commercial Paper Notes, Series 2019A and Series 2019B” in an aggregate principal amount of not to exceed \$75,000,000 to provide interim financing to pay project costs for eligible project for the City’s Utility System, approving and authorizing the execution of agreements to be entered into in connection with the commercial paper notes and resolving other matters incident and related thereto.

BACKGROUND / RATIONALE:

NBU is experiencing a period of high growth. Comal County and New Braunfels have been recognized among the fastest growing communities in the United States. The long term planning to meet the capital needs of this projected growth requires significant investment in the infrastructure of NBU. NBU has a large five year capital program in excess of \$483 million. This investment will require debt financing of an expected \$250 million.

Generally, NBU has issued long-term debt to finance improvements to its utility system. As part of its plan to efficiently manage the issuance of debt, NBU is proposing the use of a commercial paper program, in the amount of \$75 million. This financing mechanism will allow NBU to remain flexible and liquid and to allow quicker access to funds when needed for projects. It is projected that NBU will benefit from access to funds at the normally lower short term interest repayment rates associated with a commercial paper program.

The NBU Board of Trustees at its March 20, 2019 Special Board Meeting authorized NBU staff to proceed with the necessary steps for the issuance of up to \$75 million in commercial paper notes, with an expected closing by late May 2019.

NBU staff has estimated that the use of commercial paper will save NBU approximately \$3 million in interest expense over the initial program term. The major components of the proposed commercial paper program are as follows:

- NBU can issue commercial paper in an amount not to exceed 10% of assets;
- NBU will implement a commercial paper program of at least \$50 million in size to offset the costs associated with short- term debt issuance; and
- NBU will refund the outstanding commercial paper with long term debt once the authorized commercial paper amount is fully utilized, at the end of the commercial paper program term, or if it is determined that market conditions are no longer favorable.

ADDRESSES A NEED/ISSUE IN A CITY PLAN OR COUNCIL PRIORITY:

N/A

FISCAL IMPACT:

There is no direct impact to the City of New Braunfels from the Issuance of the notes described above

COMMITTEE RECOMMENDATION:

NBU Board approved on March 20, 2019.

STAFF RECOMMENDATION:

NBU staff recommends approval.