

## Legislation Text

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**File #:** 22-518, **Version:** 2

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**PRESENTER:**

Dawn Schriewer, NBU Chief Financial Officer

**SUBJECT:**

Discuss and consider approval of an ordinance authorizing the issuance of “City of New Braunfels, Texas, utility system revenue refunding bonds, series 2022, pledging the net revenues of the City’s waterworks, sanitary sewer and electric light and power systems to the payment of the principal of and interest on said bonds; enacting provisions incident and related to the issuance, payment, security, sale and delivery of said bonds; establishing procedures for the sale and delivery of said bonds; delegating matters relating to the sale and issuance of said bonds to authorized city and systems officials and providing an effective date.

**DEPARTMENT:** City Secretary

**COUNCIL DISTRICTS IMPACTED:** All districts

**BACKGROUND INFORMATION:**

The New Braunfels Utilities (“NBU”) Board of Trustees, in its June 24, 2021, Board Meeting, reviewed and approved NBU’s Fiscal Year 2022 Budget and Five Year Financial and Operating Plan through Fiscal Year 2026. At the joint NBU and City Council workshop on October 11, 2021, NBU staff reviewed and discussed this plan with the City Council. In order to accomplish the operating and capital goals set out in the plan, it required a comprehensive strategy of obtaining appropriate (i) rates and (iii) short-term and/or long-term financings. The first goal of obtaining the necessary rates was accomplished on October 26, 2020, when the City Council approved a three-year rate plan for water, wastewater, and electric services. This agenda item is in regard to the second part of this comprehensive strategy - the bond financing requirements necessary to complete the capital projects included in the plan.

The Series 2022 bond issuance includes the refunding of up to \$74.75 million in commercial paper notes. NBU staff has determined that refunding the outstanding commercial paper notes will provide the necessary capacity to fund the planned capital expenditures. 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 will allow 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.

The NBU Board of Trustees, at its May 24, 2022, Board Meeting, authorized NBU staff, financial advisor and bond counsel to begin the bond offering process and preparation of documents relating to the issuance of up to \$74.75 million in revenue refunding 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 allows the City Council to set certain parameters, such as (i) the

maximum original principal amount, (ii) a maximum maturity date, and (iii) a not-to-exceed interest rate. 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 parameter bond process has been successfully utilized in prior NBU bond offerings and provides flexibility and the opportunity to achieve the best pricing of the bonds. A summary of the proposed parameters is as follows:

1. The maximum original principal amount of \$74,750,000;
2. A maximum maturity date that will not exceed July 1, 2053; and
3. An interest rate that will not exceed 6%.

**ISSUE:**

The NBU Board of Trustees, at its May 24, 2022, Board Meeting, authorized NBU staff to proceed with the necessary steps for the issuance of up to \$74.75 million in revenue refunding bonds.

**FISCAL IMPACT:**

There is no direct impact to the City of New Braunfels from the issuance of the bonds described above.

**RECOMMENDATION:**

NBU staff recommends approval of the ordinance.