

## Legislation Text

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Presenter/Contact  
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**SUBJECT:**

Discuss and consider approval of an ordinance authorizing the issuance of the City of New Braunfels, Texas Utility System Revenue Bonds, Series 2018, pledging the Net Revenues of the City's Waterworks, Sanitary Sewer and Electric Light and Power Systems to the Payment of said Bonds and resolving other matters incident and related thereto.

**BACKGROUND / RATIONALE:**

The New Braunfels Utilities (NBU) Board of Trustees in its June 29, 2017 Board Meeting reviewed and approved NBU's Fiscal Year 2018 Budget and Five Year Financial and Operating Plan for fiscal years 2018 through 2022. At the joint NBU and City Council workshop of September 26, 2017, 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, (ii) impact fees and (iii) bond financing. The first goal of obtaining the necessary rates was accomplished on November 9, 2015 when the City Council approved updated rates for electric, water, and wastewater services through the year 2020. The second part of the plan has been underway and the impact fee consultants are finalizing the new impact fee report to the New Braunfels Impact Fee Advisory Committee. A public hearing is scheduled with the City Council on May 29, 2018 and would be on the report and resulting fees and the first reading of the ordinance on the updated plan. This agenda item is in regard to the third part of this comprehensive strategy - the bond financing requirements necessary to complete the capital projects included in the plan.

In order to fund the capital projects underway over the next 18 months, NBU will require bond financing of \$49 million.

The NBU Board of Trustees at its February 22, 2018 Board Meeting authorized NBU staff to proceed with the necessary steps for the issuance of up to \$49 million in Bonds.

After bond issuance costs, net proceeds will be used to fund capital projects, which are not funded by the revenues of the utility system or impact fees, and other sources. Many of these projects are either currently underway or need to be funded, near term, to ensure these projects meet established timelines. Per NBU's fiscal year 2018 budget and financing requirements, all of the \$49 million will fund water (\$22 million [45 percent]), wastewater (\$9 million [18 percent]), and electric (\$18 million [37 percent]) capital projects. Some of the major projects that will be funded over FY 2018 are:

- Gruene Wastewater Treatment Facility (\$9 million)
- Trinity Aquifer Wellfield Treatment Addition (\$15 million)
- Aquifer Storage Recovery Project ("ASR") (\$2.9 million)

- Old FM 306 Ground Storage Tank (\$2.9)
- FM 758 Substation (\$3.2 million)
- Rebuild Kerlick Communications Tower (\$1.7 million)
- Distribution Transformers (\$1.1 million)

The City is also a qualified issuer under Government Code Chapter 1371 which allows the delegation of 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 (i) the maximum original principal amount of \$50 million, (ii) a maximum maturity date of July 1, 2048, and (iii) 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 the CEO of NBU. This process eliminates the strict deadline (timeline) of having to coordinate pricing to the date of a Council meeting or calling a special 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 as 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 was used in NBU's last three bond offerings beginning with series 2012 and has also been used in previous bond offerings of the City of New Braunfels.

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

N/A

**FISCAL IMPACT:**

**COMMITTEE RECOMMENDATION:**

The NBU Board of Trustees at its February 22, 2018 Board Meeting authorized NBU staff to proceed with the necessary steps for the issuance of up to \$49 million in Bonds.

**STAFF RECOMMENDATION:**

NBU recommends approval of the ordinance.