

## Legislation Text

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**File #:** 21-1023, **Version:** 1

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**PRESENTER:**

Jared Werner, Chief Financial Officer

**SUBJECT:**

Discuss and consider approval of an ordinance authorizing the issuance of City of New Braunfels, Texas General Obligation Refunding Bonds in an amount not to exceed \$24,160,000 in one or more series; approving an official statement, a paying agent/registrars agreement, a bond purchase agreement, and an escrow agreement as needed for the sale of bonds; establishing the procedures for selling and delivering one or more series of the bonds; providing for the approval of this ordinance on one reading only as authorized by state law; and authorizing other matters relating to the bonds.

**DEPARTMENT:** Finance

**COUNCIL DISTRICTS IMPACTED:** N/A

**BACKGROUND INFORMATION:**

As evidenced with the most recent bond issuance stemming from the 2019 bond program, municipal interest rates remain at historic lows. Previously issued bonds become callable for refunding (refinancing) at a certain point throughout the amortization period. Taking advantage of these refunding opportunities and lower interest rates has been the organization's standard practice and doing so has resulted in significant savings.

The remaining principle on the 2012 and 2013 Certificates of Obligation are now eligible to be refunded. The amount eligible for refunding is \$24,160,000. Based on current interest rates, the refunding of these bonds will generate \$3.5-\$4.5 million in savings. The savings projection is cumulative for 2023-2033. This represents a present value savings of up to 15.08%.

*Parameter Sale*

The City Council has typically approved parameter sales for New Braunfels Utilities, when the utility has had the need to issue bonds for infrastructure projects. As a recap, the parameter sale method would set minimum parameters of the refunding and designate the City Manager and Chief Financial Officer as the pricing officers.

The attached ordinance establishes the proposed parameters for the 2012/2013 refunding as follows:

1. Maximum Par to be issued: \$24,160,000
2. Maximum Interest Rate: As defined by statute
3. Maximum Maturity: February 1, 2033

4. Minimum Gross Savings: \$3,500,000

If any of the parameters are not met, the designated officials would not have the ability to complete the pricing/refunding.

There are two primary reasons that a parameter sale is recommended for this refunding opportunity. First, the original timeline was to traditionally price the refunding on October 11. However, given that this date is Columbus Day, the markets will be closed. Secondly, interest rates have been rising over the past several weeks, given that rate risk, the parameter sale gives the organization to price as soon as Tuesday, October 12<sup>th</sup> as opposed to postponing the sale to the 25<sup>th</sup>.

**ISSUE:**

N/A

**FISCAL IMPACT:**

As stated above, the refunding is projected to generate \$3.5-\$4.5 million in savings. The savings will primarily be on bonds that are currently supported by the I&S portion of the property tax rate (77%). However, a portion of the bonds, are supported by the NBEDC (23%). The savings will be passed through proportionally.

The Property Tax supported portion of the bond refunding will be structured to maintain capacity for the City's planned bond issuance in 2022 (selling the remaining bond authorizations from the 2013 and 2019 bond programs) and considering future debt capacity for the potential 2023 bond program.

**RECOMMENDATION:**

Approval of the ordinance