

Legislation Text

File #: 23-1735, **Version:** 1

PRESENTER:

Dawn Schriewer, Chief Financial Officer

SUBJECT:

Discuss and consider approval of an ordinance authorizing the issuance of “City of New Braunfels, Texas, Utility System Revenue And Refunding Bonds, Series 2024”, 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: New Braunfels Utilities

COUNCIL DISTRICTS IMPACTED: All

BACKGROUND INFORMATION:

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 of Trustees (“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 the refunding of up to \$75 million in commercial paper notes, along with \$83 million for a potential refunding of the Series 2015 and Series 2016 bond issues. 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. 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 Series 2024 bond issuance also includes a potential new money component in the amount of up to \$50 million.

The Board, at its December 14, 2023 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 \$208.0 million

in revenue and 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, (iii) a not-to-exceed interest rate, and (iv) 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 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 \$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%.

ISSUE:

N/A

FISCAL IMPACT:

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

RECOMMENDATION:

The Board, at its December 14, 2023 Board Meeting, authorized NBU staff to proceed with the necessary steps for the issuance of up to \$208.0 million in revenue and refunding bonds.

NBU staff recommends approval of the ordinance.