



PUBLIC HEARING 2025 SEWER REVENUE REFINANCING BONDS

Finance Department

City Council
August 5th, 2025

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BACKGROUND

- City issued \$200 million of 2015A Sewer Revenue Bonds in June of 2015
 - Bond proceeds (1) funded \$144 million of Sewer Fund capital improvements and (2) refunded a portion of the 2014 bonds, which were originally issued to fund the Regional Water Quality Control Plant and collection system
 - \$161.1 million of the 2015A Bonds remain outstanding
 - Final maturity: August 1, 2040
 - Average coupon (interest rate): 4.9%.
- **The 2015A Bonds are callable (pre-payable) at no penalty starting August 1, 2025 and can be refinanced (refunded) now for significant savings to the Sewer Fund and its ratepayers**



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PLAN OF FINANCE – REFUNDING STRATEGY

- Financing Team has analyzed a multitude of bond amortization structures to best meet the needs of the Sewer Enterprise
 - Level annual savings
 - Upfront savings
 - Extended term/maturity
 - ✓ **Tailored/Sculpted savings with same term as refunded bonds**
- Based on near term financial pressures (*no rate increases for 8 years and increasing costs*), the proposed refunding structure will be a hybrid of short-term and long-term savings
 - Reduces the magnitude of required rate increases on ratepayers while ensuring that City's legal bond covenants (minimum debt service coverage) are met



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ESTIMATED REFUNDING SAVINGS*

- \$17.3 million of cumulative cash flow savings through FY 2041**
 - \$8.1 million over next three fiscal years
 - \$9.2 million from FY 2029 to FY 2041
- On a present value basis, this equates to **\$14.8 million, or 9.6%** of the refunded par amount
- Actual savings will not be determined until bonds are priced in Mid-August and will fluctuate based on market conditions*

Estimated Cashflow Savings by Fiscal Year (6/30)					
FYE	Prior Debt Service	Refunding Debt Service	Capitalized Interest	Refunding Net Debt Service	Savings
2026	3,799,200	3,012,613	1,673,542	1,339,070	2,460,130
2027	14,530,650	10,564,375	-	10,564,375	3,966,275
2028	14,531,025	12,828,500	-	12,828,500	1,702,525
2029	14,527,775	13,821,750	-	13,821,750	706,025
2030	14,529,900	13,822,250	-	13,822,250	707,650
2031	14,531,275	13,823,250	-	13,823,250	708,025
2032	14,530,900	13,818,875	-	13,818,875	712,025
2033	14,527,775	13,818,125	-	13,818,125	709,650
2034	14,530,650	13,819,750	-	13,819,750	710,900
2035	14,528,275	13,822,500	-	13,822,500	705,775
2036	14,529,400	13,820,250	-	13,820,250	709,150
2037	14,527,450	13,821,750	-	13,821,750	705,700
2038	14,529,250	13,820,625	-	13,820,625	708,625
2039	14,528,625	13,820,500	-	13,820,500	708,125
2040	14,530,875	13,819,875	-	13,819,875	711,000
2041	14,529,375	13,822,125	-	13,822,125	707,250
Total	221,742,400	206,077,113	1,673,542	204,403,570	17,338,830

*Estimated refunding results based on rates as of 6/16/2025

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FINANCING TEAM

- Financing Team includes City Finance, City Attorney, Public Works Sewer and the following parties:

Counterparty Name	Role
Carollo	Rate Consultant
Stradling, Yocca, Carlson & Rauth LLP	Bond & Disclosure Counsel
NHA Advisors	Municipal Advisor
Moody's and S&P	Credit Rating Agencies
BofA Securities, Inc. and Cabrera Capital Markets	Underwriting Banks
US Bank National Association	Escrow Agent/Trustee



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GOOD FAITH ESTIMATES & NTE PARAMETERS

- Good Faith Estimates***
 - True Interest Cost of the 2025A Bonds: 3.56%
 - Finance Charge of the 2025A Bonds: \$659,114 (0.46% of bond amount)
 - \$259,114 (Estimated Underwriting Fees)
 - \$400,000 (Estimated Fixed Costs of Issuance)
 - Amount of Proceeds to be Received: \$154,974,637
 - Total Payment Amount of the 2025A Bonds: \$206,077,113
- Not-to-Exceed (NTE) Amounts in Resolution/Bond Purchase Agreement**
 - NTE Par: \$165 million
 - NTE All-In True Interest Cost: 4.25%
 - NTE Underwriting Fee: 0.20% of par



*Estimated results based on rates as of 6/16/2025

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RECOMMENDATIONS

That the City Council:

1. Conduct a public hearing in consideration of the 2025A Refunding Sewer Revenue Bond issuance and receive comments to the proposed transaction;
2. Approve the City's Financing Team for this transaction and authorize the City Manager, Chief Financial Officer or any duly authorized designee to pay the cost of issuance in connection with the bonds from bond proceeds;
3. Adopt a Resolution and other financing documents referenced herein to authorize the issuance of the 2025A Refunding Sewer Revenue Bonds 7



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RECOMMENDATIONS

4. Delegate to the City's Financing Team, at the time of Bond sale, the determination of specific maturities to be refunded;
5. Authorize the City Manager, Chief Financial Officer or any duly authorized designee to execute the documents and make certain changes as may be required to close the transaction; and
6. With at least five affirmative votes, upon closing of the 2025A Sewer refunding Revenue Bonds, authorize the City Manager, Chief Financial Officer or any duly authorized designee, to make the necessary budget adjustments and/or appropriations to properly record the refunding and financing expenses in accordance with governmental accounting standards.



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