

# Water Revenue Refunding Bonds Series 2020A

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# Background

## Department of Finance

- In 2010, the City issued \$25,425,000 Water Revenue Bonds to finance certain capital improvements to the Water System;
- The 2010A bonds were issued as Build America Bonds (BABs) with a call feature that provides the option to refund the bonds in December 20, 2020;
- Current outstanding amount of the bonds is \$25,425,000;
- Current average taxable rate is 7.19%; after IRS rebate, equivalent tax-exempt rate equals to 4.67%;
- Current market yield is approximately 2.43%;
- On December 1, 2020, the outstanding balance on the 2010A bonds becomes redeemable;



# Refunding Plan

## Department of Finance

- The proposed action is to refinance the outstanding 2010A series and borrow an addition up to \$25 million of new bond proceeds;
- The new proceeds will be used to finance the following projects:
  - a- Installation of new and replacement water mains at various locations, including installation of new valves, water service connections, fire hydrants and other improvements to water flows for fire protection and water quality;
  - b- Replacement of Sunset Reservoirs, including replacement of disinfection facility, upgrade of the Glorrieta Booster Station, and treatment to address water quality deficiencies for wells in the area and improvements to the appearance of the site.



# Refunding Plan

Department of Finance

- c- Replacement/improvement of existing wells and design/construction of new wells to manage local water supplies, improve water quality and promote a sustainable groundwater basin.
  
- d - Replacement of meters and equipment, including vaults, boxes and lids upgrading efficacy of the planned water delivery system improvements.



# Refunding Plan

Department of Finance

- The proposed 2020A Water Revenue Refunding Bonds will be issued with fixed interest rates and sold on a competitive basis;
- The term of the refunding portion of the 2020A will be 20 years matching the term of the current outstanding 2010 bonds. There will be no extension to the term. The term of the new proceeds will be 30 years.
- Based on current market yield of 2.43%, the expected PV savings is estimated at \$7.66 million or 30% of the refunded principal;
- \$466,000 average annual debt service savings for FY 2021 through 2040.



# Fiscal Impact and SB450 disclosure

Department of Finance

- Amount of proceeds to be received is estimated to be \$49,690,733
- Total P&I is estimated to be \$66,594,063 to the final maturity
- Finance charges associated with this transaction is estimated to be \$350,438



# Recommendation

Department of Finance

- City Council Adopt a Resolution authorizing the invitation of bids for the purchase of Water Revenue Refunding Bonds, Series 2020A, approving a notice of intention to sell bonds, a preliminary official statement, a notice inviting bids, authorizing the publication of a notice of intention to sell bonds, and authorizing certain actions in connection therewith; and



# Recommendation

Department of Finance

- Conduct the first reading of “AN ORDINANCE OF THE CITY OF PASADENA AUTHORIZING THE ISSUANCE BY THE CITY OF NOT TO EXCEED \$50,425,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA WATER REVENUE REFUNDING BONDS, 2020A SERIES, PAYABLE OUT OF THE WATER FUND, AND APPROVING THE EXECUTION AND DELIVERY OF A SIXTH SUPPLEMENT TO WATER REVENUE BOND INDENTURE, AND A CONTINUING DISCLOSURE AGREEMENT IN CONNECTION THEREWITH.