



Department of Finance

Water Revenue Refunding Bonds Series 2021A

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Item 2 (Finance Committee); Item 16 (City Council)





Background

Department of Finance

- In August 2003, the City issued \$47,425,000 Water Revenue Bonds to finance certain capital improvements to the Water System.
- In 2011, the City refunded the then outstanding 2003 bonds in the amount of \$30,560,000.
- Current outstanding amount of the 2011A Bonds is \$13,855,000.
- Current rates paid on the bonds range from 4% to 3% for maturities beginning 2022 through 2033.
- The 2022 bonds are non-callable; therefore the refunding portion will be \$12,645,000.
- Current market yield for the same maturities range from 0.06% to 0.98%.



Refunding Plan

Department of Finance

- The proposed action is to refinance the outstanding 2011A Series Bonds and borrow an additional up to \$15 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 gate valves, water service connections, fire hydrants, and other improvements to water flows for fire protection and water quality.
 - b- Removal and replacement of existing reservoirs, and pipelines and installation of stationary emergency generators.



Refunding Plan

Department of Finance

- c- Replacement of meters and equipment, including vaults, boxes, and steel plates to upgrade efficiency of the water delivery system.

- d – Design and construction of new groundwater treatment facilities.



Refunding Plan

Department of Finance

- The proposed 2021A 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 2021A Bonds will be 12-years matching the term of the current outstanding 2011A 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 2.33%, the expected PV savings is estimated at \$2.06 million or 16.3% of the refunded principal.
- \$200,000 average annual debt service savings from the refunding.



Fiscal Impact and SB450 Disclosure

Department of Finance

- The true interest cost is currently estimated to be 2.33%
- The “finance charge” is estimated to be \$300,863
- The “amount of proceeds” to be received is estimated to be \$28,431,967
- Total P&I is estimated to be \$37,014,375 to the final maturity



Recommendation

Department of Finance

- City Council Adopt a Resolution authorizing the invitation of bids for the purchase of Water Revenue Refunding Bonds, Series 2021A, 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.



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 \$27,645,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA WATER REVENUE/REFUNDING BONDS, 2021A SERIES, PAYABLE OUT OF THE WATER FUND, AND APPROVING THE EXECUTION AND DELIVERY OF A SEVENTH SUPPLEMENT TO WATER REVENUE BOND INDENTURE, AND A CONTINUING DISCLOSURE AGREEMENT IN CONNECTION THEREWITH.”