

# **INFO ITEM 1: UPDATE ON THE WASTEWATER BOND REFINANCING AND PFA LOAN PREPAYMENT NEGOTIATIONS**

Environment Committee, May 8, 2012



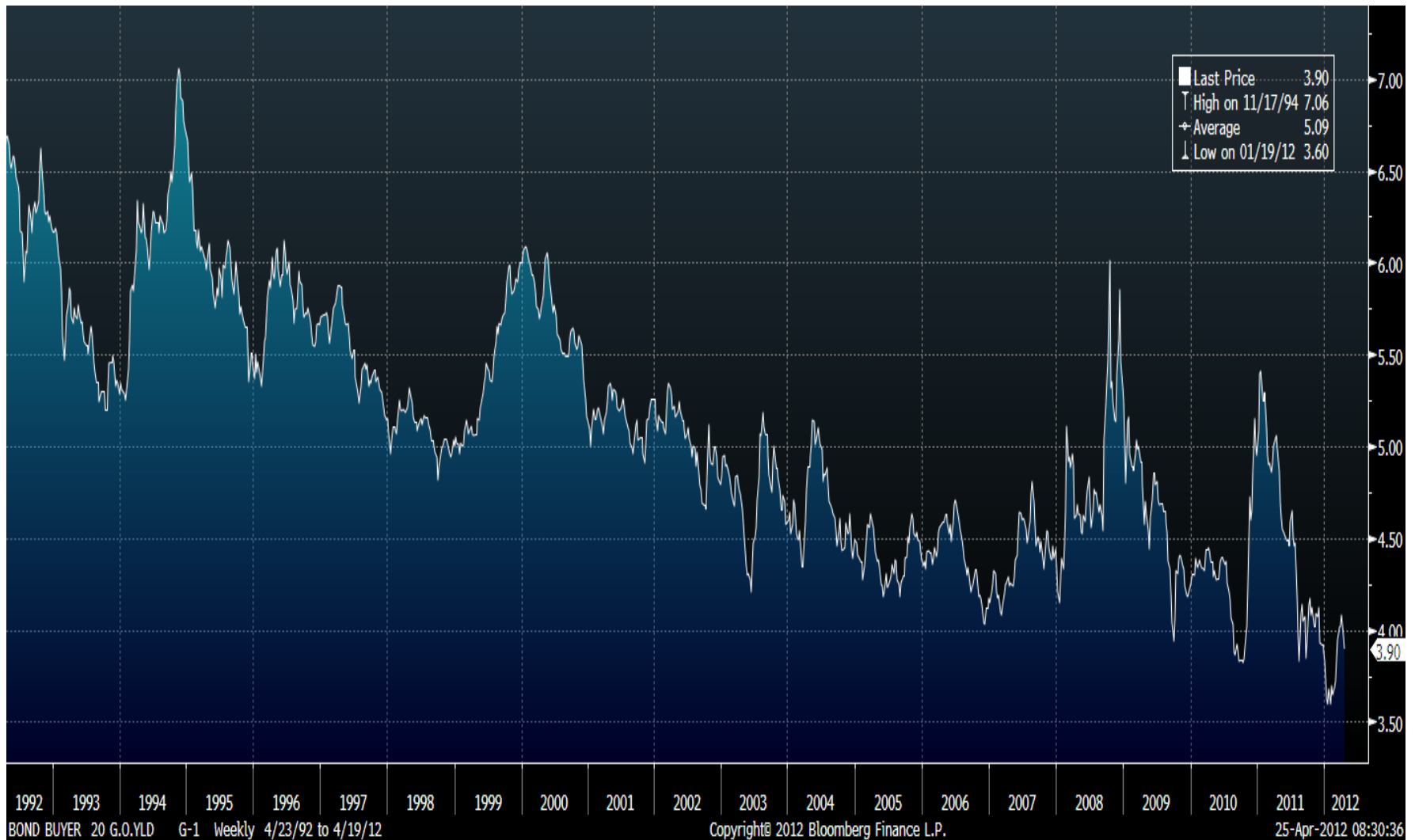
## Three Transaction Types

- 1) Council Wastewater Bonds – New money
- 2) Council Wastewater Bonds – Refundings
- 3) PFA Loans: Refunding or rate renegotiation

# New Money Bond

- \$65 million Council bonds
  - Estimated 2.2% interest rate
  - Projected to last about 14-18 months
  - Provide about 40% of wastewater capital project spending
  - Estimated closing date: June 5, 2012

# 20 Years of Rates (20-year Bonds)



# Council Refunding Bonds

(preliminary)

<b>Bond</b>	<b>Principal Refunded</b>	<b>TIC Before</b>	<b>TIC After</b>	<b>Avg. Life</b>	<b>NPV Savings</b>
2003A	\$11.1M	4.2%	.8%	2.9 yrs	\$.6M
2004B	\$18.6M	4.8%	1.9%	7.7 yrs	\$1.8M
2005B	\$64.2M	5.0%	2.2%	9.3 yrs	\$5.8M
<b>Total</b>	<b>\$93.9M</b>	<b>4.9%</b>	<b>2.1%</b>	<b>8.2 yrs</b>	<b>\$8.2M</b>

TIC = True Interest Cost

NPV = Net Present Value

# PFA Loan Rate Negotiation

- Option 1: Refunding (Issue Council Bonds and prepay PFA loans)
  - \$221 million from 5 prior loans could be prepaid
  - Average 3.5% interest cost reduced to between 2% and 3%
- Option 2: Renegotiate rates on loans (without new Council bonding)

# Option 1 Challenges

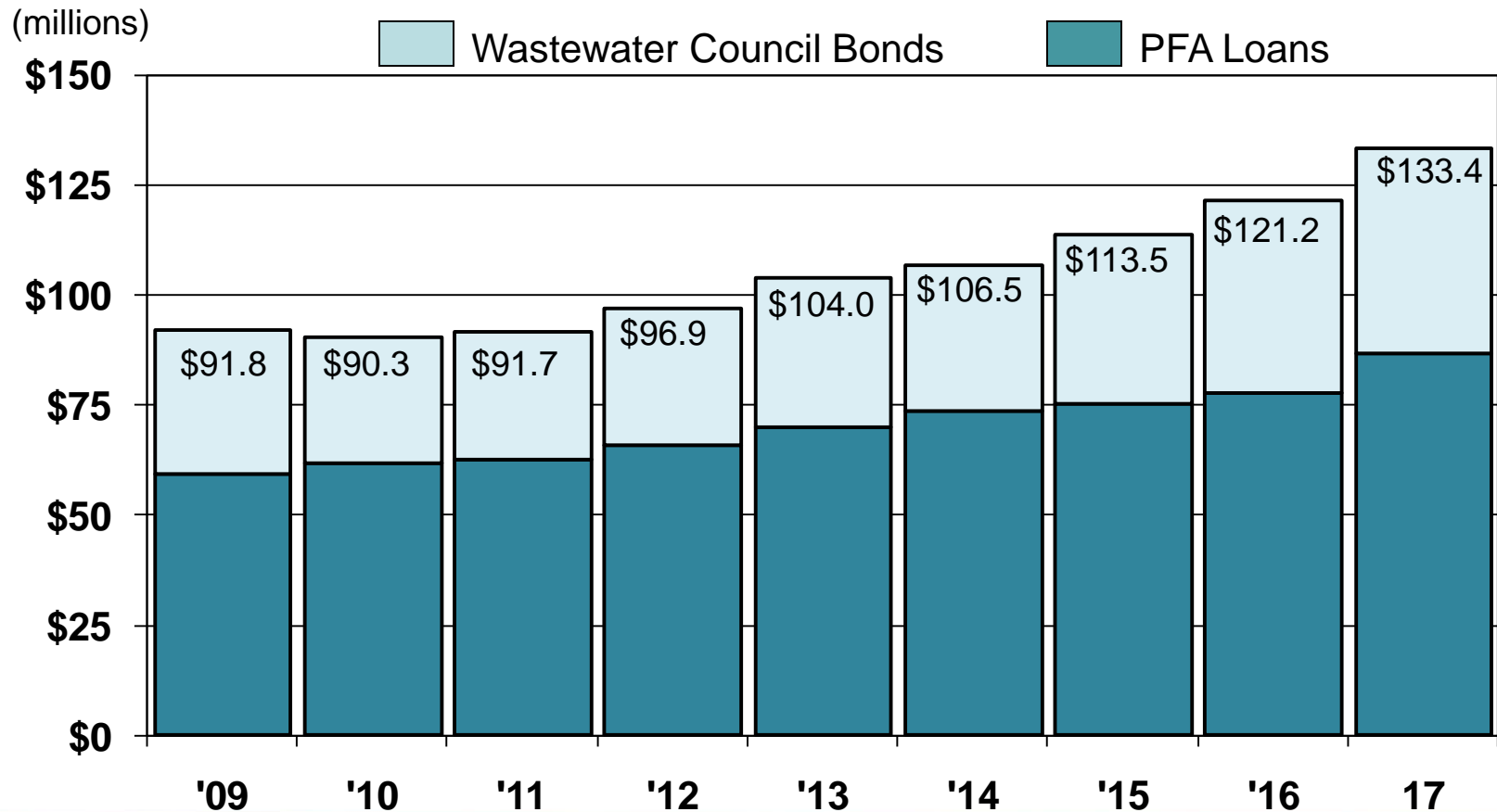
- PFA fund damage
  - Too much money for PFA to recycle quickly
  - Significant earnings drop from short-term rates while waiting to recycle
  - Once recycled, significant revenue reduction from lower rates
- Possible damage to relationship

## Option 2 Challenges

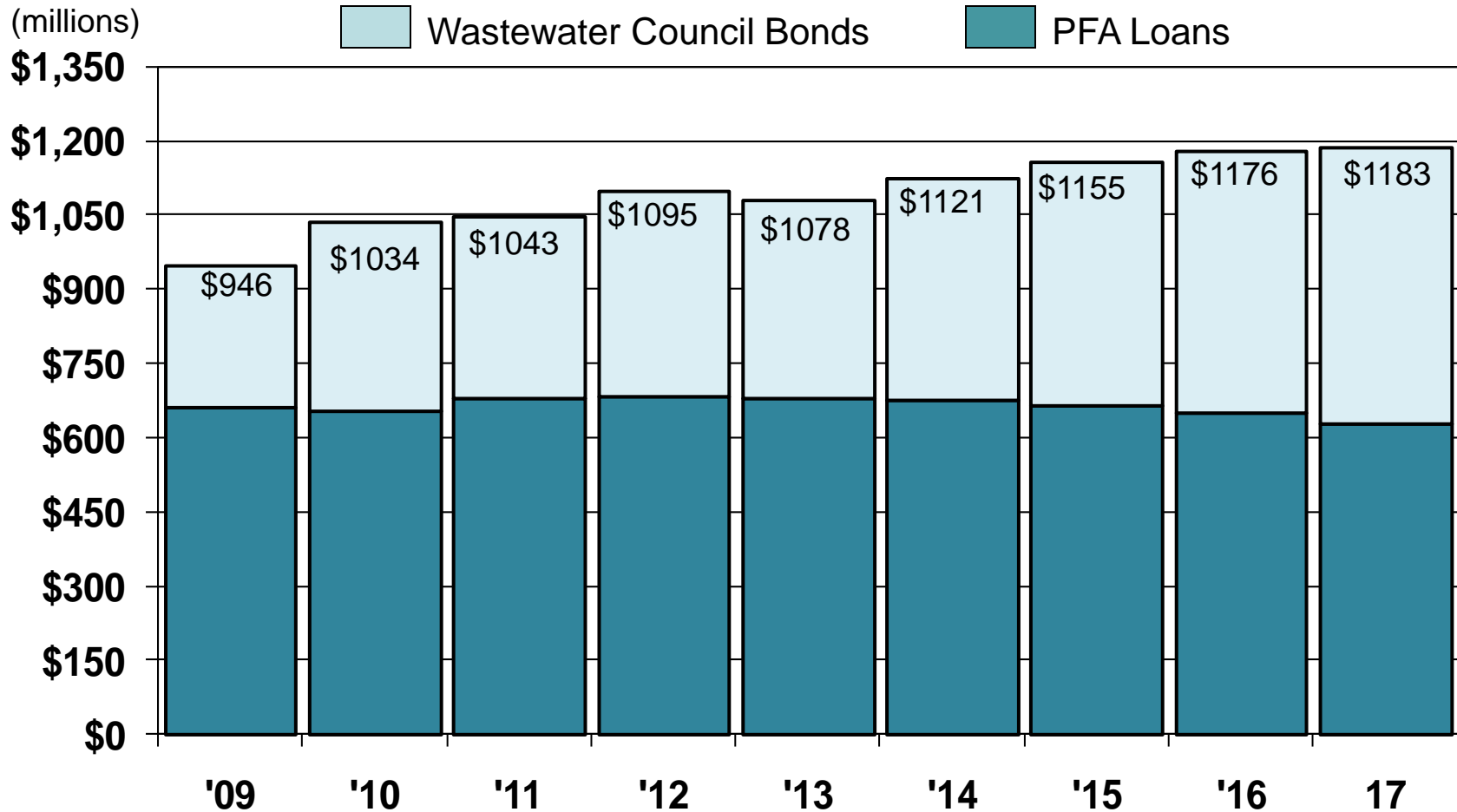
- Also, diminishes PFA's future loan making capacity, but less so
- May cause other PFA borrowers to ask for same thing
- Adjusting savings for credits Council already received when PFA refunded its bonds used to fund Council loans
- Negotiation: Assumptions used for hypothetical refunding (which we would not do)



# Debt Service



# Outstanding Debt



# Questions/Concerns

