

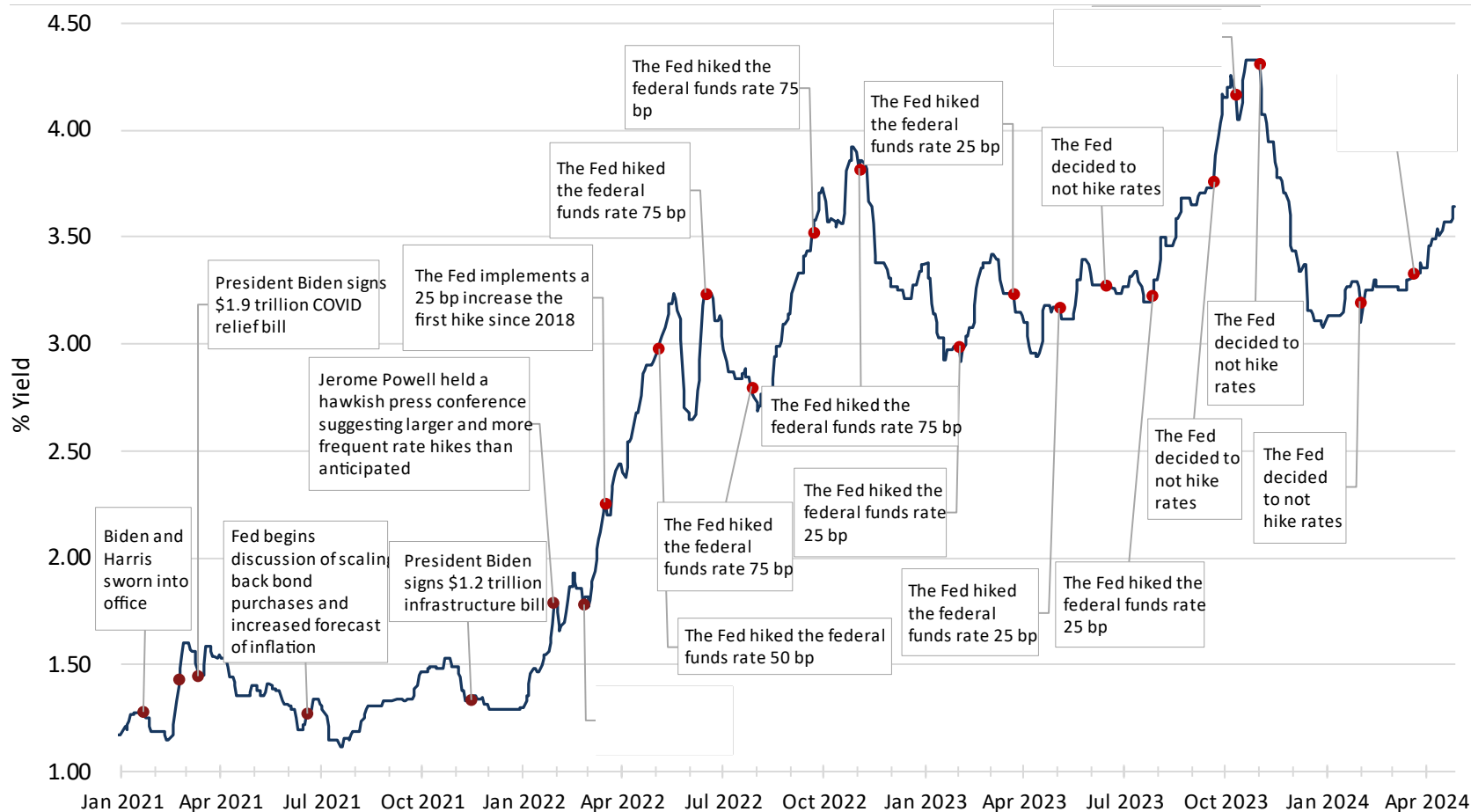


Municipal Drainage Utility Refunding Bonds \$14 Million

Extendable Commercial Paper Program:
Parameter Authorization for Municipal Drainage Utility
Refunding Bonds \$61.2 Million

Change in 20-Year MMD

Change in 20 Year MMD with Market Commentary 1/1/21 to 4/26/2024



Source: Refinitiv Municipal Market Data and HilltopSecurities

Transaction Overview

Economic Refunding Opportunity

- Current tax legislation allows for bonds to be “Currently Refunded” at Tax-Exempt Rates. A current refunding, by legal definition, allows for bonds to be called within 90 days of the issuance of new “Refunding Bonds.”
- Existing Economic Refunding Candidates ⁽¹⁾:

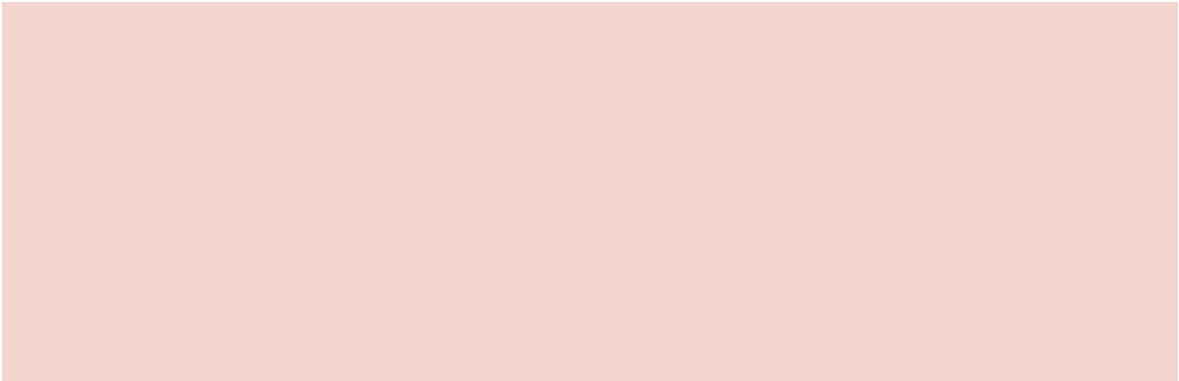
Debt Issue	Callable Principal	Coupons	Call Date	Final Maturity
MDU Revenue Bonds, Series 2015	\$ 13,490,000	5.00%	3/1/2025	3/1/2035
	<u>\$ 13,490,000</u>			

(1) As of April 2024. A total of \$13,827,250 of Refunded Principal (\$13,490,000) & Interest (\$337,250) is due on March 1, 2025.

Economic Refunding Summary

Municipal Drainage Utility Revenue Refunding Bonds

KEY BOND STATISTICS ⁽¹⁾



Total Debt Service	\$16,580,950
Maximum Annual Debt Service	\$1,631,750
Average Annual Debt Service	\$1,507,359

(1) Assumes generic “AA+” interest rates on April 5, 2024

Note: This data is being provided for informational purposes only and it does not contain an expressed or implied recommendation and it is not intended to be advice. Analysis is preliminary and subject to change.

Economic Refunding Summary

TOTAL SOURCES & USES OF FUNDS

PROJECTED SOURCES & USES

Bond Proceeds

Par Amount & Premium	\$14,000,000
Total Sources	\$14,000,000

Uses of Funds

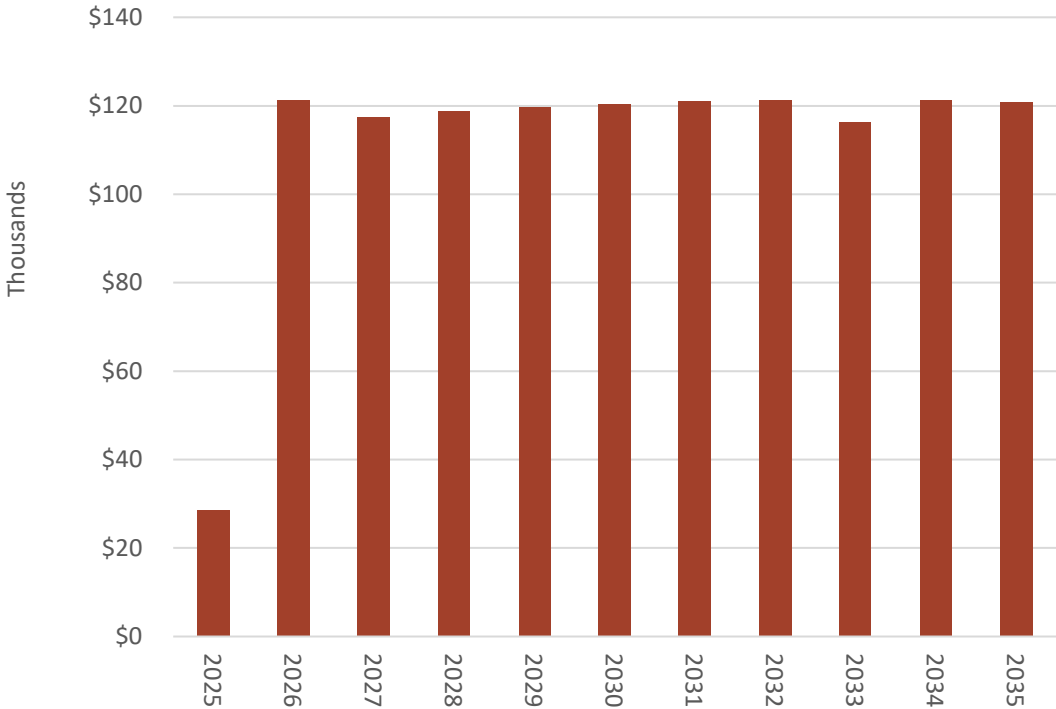
Refunding Escrow Deposit (SLGS)	\$13,723,155 ⁽¹⁾
Costs of Issuance	161,000 ⁽²⁾
Underwriter’s Fees	101,800 ⁽³⁾
Rounding	14,045
Total Uses of Funds	\$14,000,000

(1) A total of \$13,827,250 of Refunded Principal (\$13,490,000) & Interest (\$337,250) is due on March 1, 2025.
(2) Cost of Issuance covers fees for Financial Advisor, Bond Counsel, Attorney General, Rating Fees, Paying Agent, Escrow Agent, Bond Call Fees, and Document Preparation Fees.
(3) Underwriter Fees include Bond Takedown Fees, Underwriter’s Counsel and other Underwriter Expenses.
NOTE: Analysis is preliminary and subject to change.

Economic Refunding Summary

Municipal Drainage Utility Revenue Refunding Bonds ⁽¹⁾

ANNUAL GROSS SAVINGS



(1) Assumes generic “AA+” interest rates on April 5, 2024

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SENSITIVITY ANALYSIS

Rates	Gross Savings	NPV Savings	Savings %
-25 bps	\$1,434,233	\$1,207,053	8.95%
At Market	\$1,226,800	\$1,019,245	7.56%
	\$1,018,367	\$835,058	6.19%
+50 bps	\$809,183	\$654,371	4.85%

Open Market: Parameter Authorization

- ❑ **Parameter authorization will enable the sale of the Bonds at optimum timing and structure:**
 - Municipal Drainage Utility Revenue Refunding Bonds

- ❑ **Council delegates final pricing authority to following Pricing Officer(s):**
 - President/Chief Executive Officer
 - Vice President
 - Chief Financial Officer

- ❑ **Council asked to approve parameters as recommended by PSB:**
 - Maximum True Interest Cost – 4.30%
 - Not-to-Exceed Principal Amount - \$14,000,000
 - Minimum Present Value Savings – 3.00%
 - Final Maturity Date – December 31, 2035
 - Expiration of Delegated Authority – 12 months

- ❑ **Pricing Officer can only approve sale if all Council parameters are met.**

Timeframe

- ❑ **April 10, 2024:** Public Service Board authorized a request to City Council for bond authorization
- ❑ **May 7, 2024:** City Council considers approval of Bond Ordinance with delegated authority within specified parameters
- ❑ **February 5, 2025:** Tentative pricing of bonds to be issued under Ordinance
 - \$14,000,000 Municipal Drainage Utility Revenue Refunding Bonds
- ❑ **March 5, 2025:** Tentative Closing for Refunding Bonds



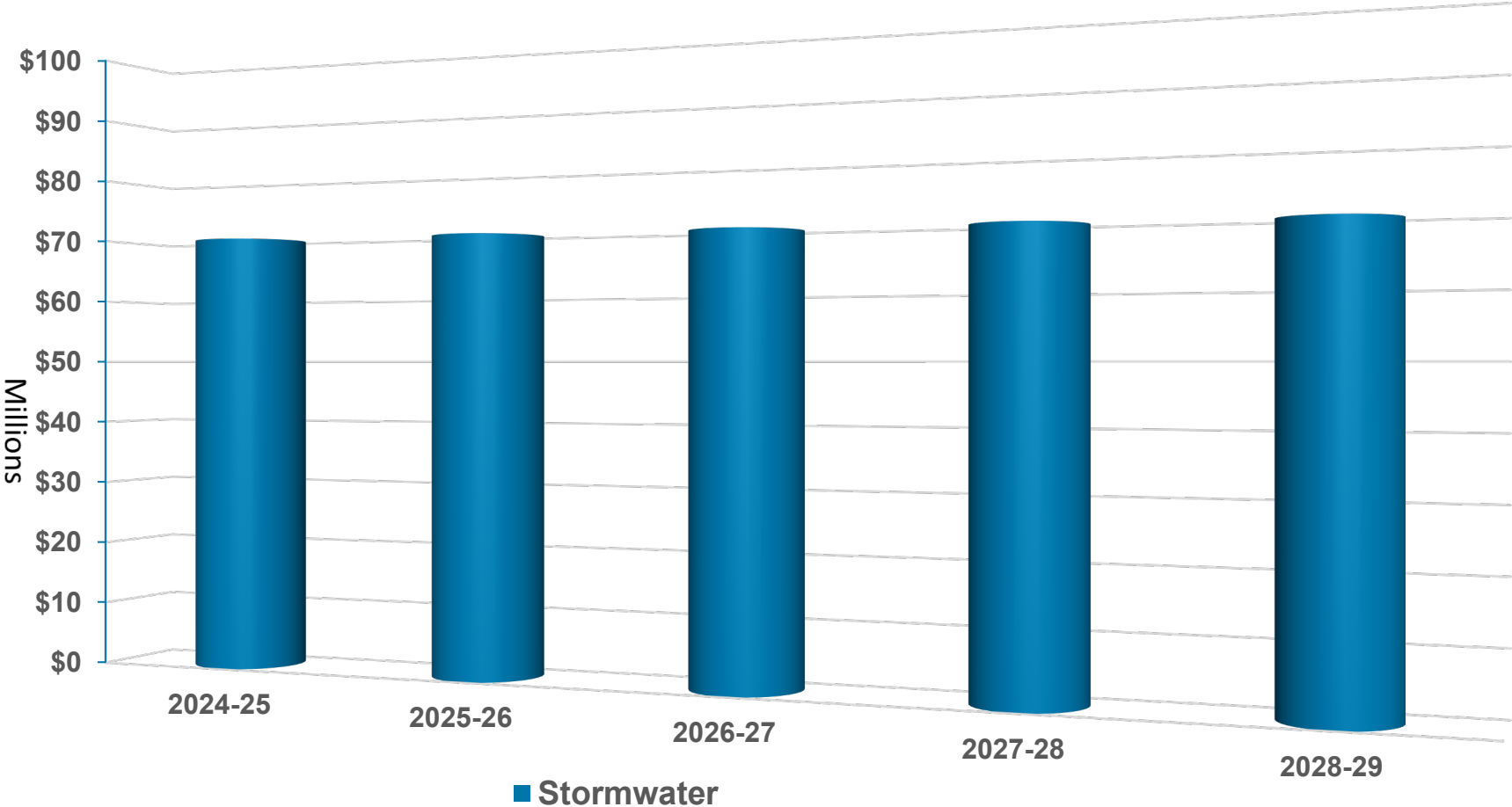
Extendable Commercial Paper Program: Parameter Authorization for Municipal Drainage Utility Refunding Bonds

Transaction Overview

Extendable Commercial Paper Fix-Out

- City of El Paso created the Extendable Commercial Paper (“ECP”) Program for the Municipal Drainage Utility on May 9, 2023. *Funding capacity of the ECP Program: \$60,000,000*
- As part of the ECP Program, the City is required to approve a parameter ordinance to issue refunding bonds, for the maximum capacity of funds, within 12 months of approval of the ordinance.
- To continue using the ECP Program, staff requests approval of a new parameter authorization to refund up-to \$60 million of ECP notes for the NEXT 12 months.

Five-Year Projected Stormwater CIP Budget



Open Market: Parameter Authorization

☐ Parameter authorization will enable the sale of the Bonds at optimum timing and structure:

- Municipal Drainage Utility Revenue Refunding Bonds

☐ Council delegates final pricing authority to following Pricing Officer(s):

- President/Chief Executive Officer
- Vice President
- Chief Financial Officer

☐ Council asked to approve parameters as recommended by PSB:

- Maximum True Interest Cost – 5.50%
- Not-to-Exceed Par of Bonds – \$61,200,000
- Final Maturity Date – December 31, 2050
- Expiration of Delegated Authority – 12 months

☐ Pricing Officer can only approve sale if all Council parameters are met.

**Current market rates as of April 5, 2024, would price a bond amortized over 25 years for a “AA+” utility revenue bond at approximately 4.46%. Actual interest rates are set at prevailing market rates when bonds are finally priced and sold.*

Economic Refunding Summary

TOTAL SOURCES & USES OF FUNDS

BUDGETED SOURCES & USES		
Bond Proceeds		
Par Amount		\$61,200,000
Total Sources		\$61,200,000
Uses of Funds		
Deposit to Project Fund		\$60,000,000 ⁽¹⁾
Costs of Issuance		576,000 ⁽²⁾
Underwriter's Discount		624,000 ⁽²⁾
Total Uses of Funds		\$61,200,000

(1) Assumes the Utility Refunds the maximum capacity of ECP notes for a total of \$60 million.
(2) Cost of Issuance covers fees for Financial Advisor, Bond Counsel, Attorney General, Rating Fees, Paying Agent, Escrow Agent, Bond Call Fees, and Document Preparation Fees.
Underwriter Discount includes Bond Takedown Fees, Underwriter's Counsel and other Underwriter Expenses.

NOTE: Analysis is preliminary and subject to change.

Timeframe

- ❑ **April 10, 2024:** Public Service Board authorized a request to City Council for bond authorization
- ❑ **May 7, 2024:** City Council considers approval of Bond Ordinance with delegated authority within specified parameters
- ❑ **February 5, 2025:** Tentative pricing of bonds to be issued under Ordinance
 - \$61,200,000 Municipal Drainage Utility Revenue Refunding Bonds
- ❑ **March 5, 2025:** Tentative Closing for Refunding Bonds

QUESTIONS & ANSWERS



Water & Sewer Revenue Refunding Bonds \$40.48 Million

Transaction Overview

❑ Water & Sewer System Economic Refunding Opportunity

- Current tax legislation allows for bonds to be “Currently Refunded” at Tax-Exempt Rates. A current refunding, by legal definition, allows for bonds to be called within 90 days of the issuance of new “Refunding Bonds.”
- Existing Water & Sewer Economic Refunding Candidates ⁽¹⁾:

Debt Issue	Callable Principal	Coupons	Call Date	Final Maturity
W&S Revenue Bonds, Series 2015A	\$ 11,060,000	3.00%-5.00%	3/1/2025	3/1/2035
W&S Revenue Refunding Bonds, Series 2015C	28,275,000	3.00%-5.00%	3/1/2025	3/1/2035
	<u>\$ 39,335,000</u>			

(1) As of April 2024. A total of \$40,214,541 of Refunded Principal (\$39,335,000) & Interest (\$879,541) is due on March 1, 2025.

Economic Refunding Summary

Water & Sewer Revenue Refunding Bonds

KEY BOND STATISTICS ⁽¹⁾

Total Gross Savings	\$2,583,928
Net Present Value Savings (\$)	\$2,146,927
Net Present Value Savings (%)	5.46%
Average Annual Savings	\$ 252,563
True Interest Cost	3.29%
Total Debt Service	\$47,574,238
Maximum Annual Debt Service	\$5,118,250
Average Annual Debt Service	\$ 4,324,931

(1) Assumes generic “AA+” interest rates on April 5, 2024

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TOTAL SOURCES & USES OF FUNDS

PROJECTED SOURCES & USES

Bond Proceeds

Par Amount & Premium	\$40,480,000
Total Sources	\$40,480,000

Uses of Funds

Refunding Escrow Deposit (SLGS)	\$39,912,166 ⁽¹⁾
Costs of Issuance	230,000 ⁽²⁾
Underwriter's Fees	295,440 ⁽³⁾
Rounding	42,398
Total Uses of Funds	\$40,480,000

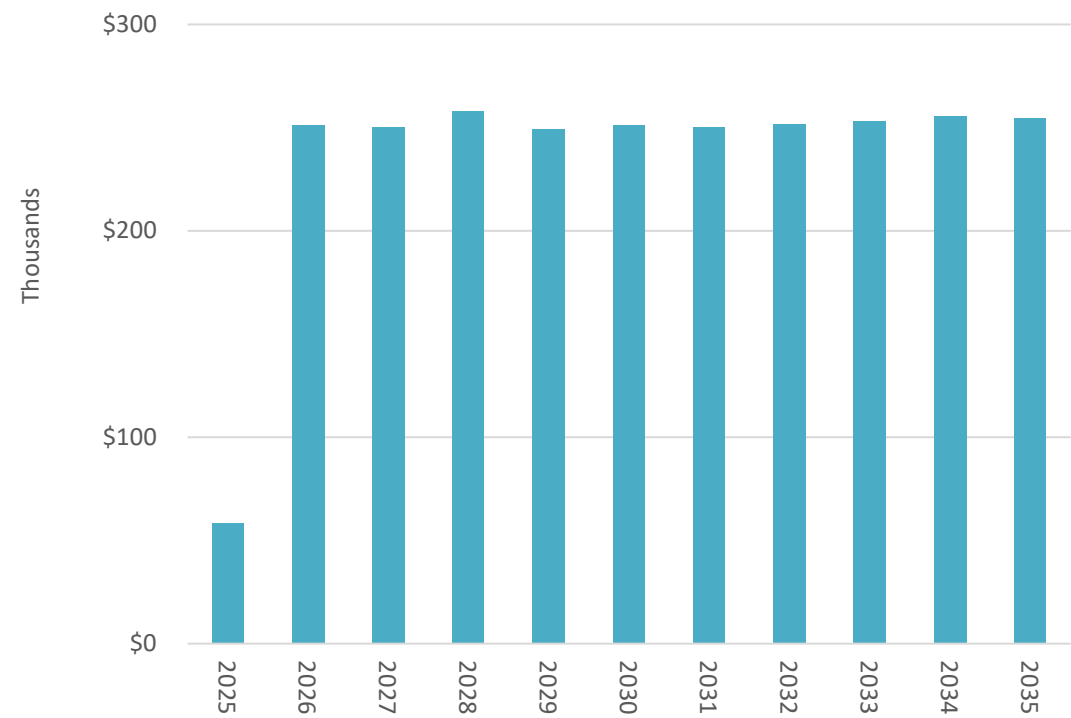
(1) A total of \$40,214,541 of Refunded Principal (\$39,335,000) & Interest (\$879,541) is due on March 1, 2025.
(2) Cost of Issuance covers fees for Financial Advisor, Bond Counsel, Attorney General, Rating Fees, Paying Agent, Escrow Agent, Bond Call Fees, and Document Preparation Fees.
(3) Underwriter Fees includes Bond Takedown Fees, Underwriter's Counsel and other Underwriter Expenses.

NOTE: Analysis is preliminary and subject to change.

Economic Refunding Summary

Water & Sewer Revenue Refunding Bonds ⁽¹⁾

ANNUAL GROSS SAVINGS



SENSITIVITY ANALYSIS

Rates	Gross Savings	NPV Savings	Savings %
-25 bps	\$3,156,495	\$2,658,601	6.76%
At Market	\$2,583,928	\$2,146,927	5.46%
+25 bps	\$2,002,051	\$1,644,710	4.18%
+50 bps	\$1,423,924	\$1,151,559	2.93%

(1) Assumes generic “AA+” interest rates on April 5, 2024

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Open Market: Parameter Authorization

- ☐ **Parameter authorization will enable the sale of the Bonds at optimum timing and structure:**
 - Water & Sewer Utility Revenue Refunding Bonds
- ☐ **Council delegates final pricing authority to following Pricing Officer(s):**
 - President/Chief Executive Officer
 - Vice President
 - Chief Financial Officer
- ☐ **Council asked to approve parameters as recommended by PSB:**
 - Maximum True Interest Cost – 4.30%
 - Aggregate Not-to-Exceed Principal Amount – \$40,480,000
 - Minimum Present Value Savings – 3.00%
 - Final Maturity Date – December 31, 2035
 - Expiration of Delegated Authority – 12 months
- ☐ **Pricing Officer can only approve sale if all Council parameters are met.**

Timeframe

- ❑ **April 10, 2024:** Public Service Board authorized a request to City Council for bond authorization
- ❑ **May 7, 2024:** City Council considers approval of Bond Ordinance with delegated authority within specified parameters
- ❑ **November 6, 2024:** Tentative pricing of bonds to be issued under Ordinance
(\$40,480,000 Water & Sewer System Revenue Refunding Bonds)
- ❑ **December 4, 2024:** Tentative Closing of the Refunding Bonds

QUESTIONS & ANSWERS



El Paso Water & Sewer Utility System Short-Term Financing Program

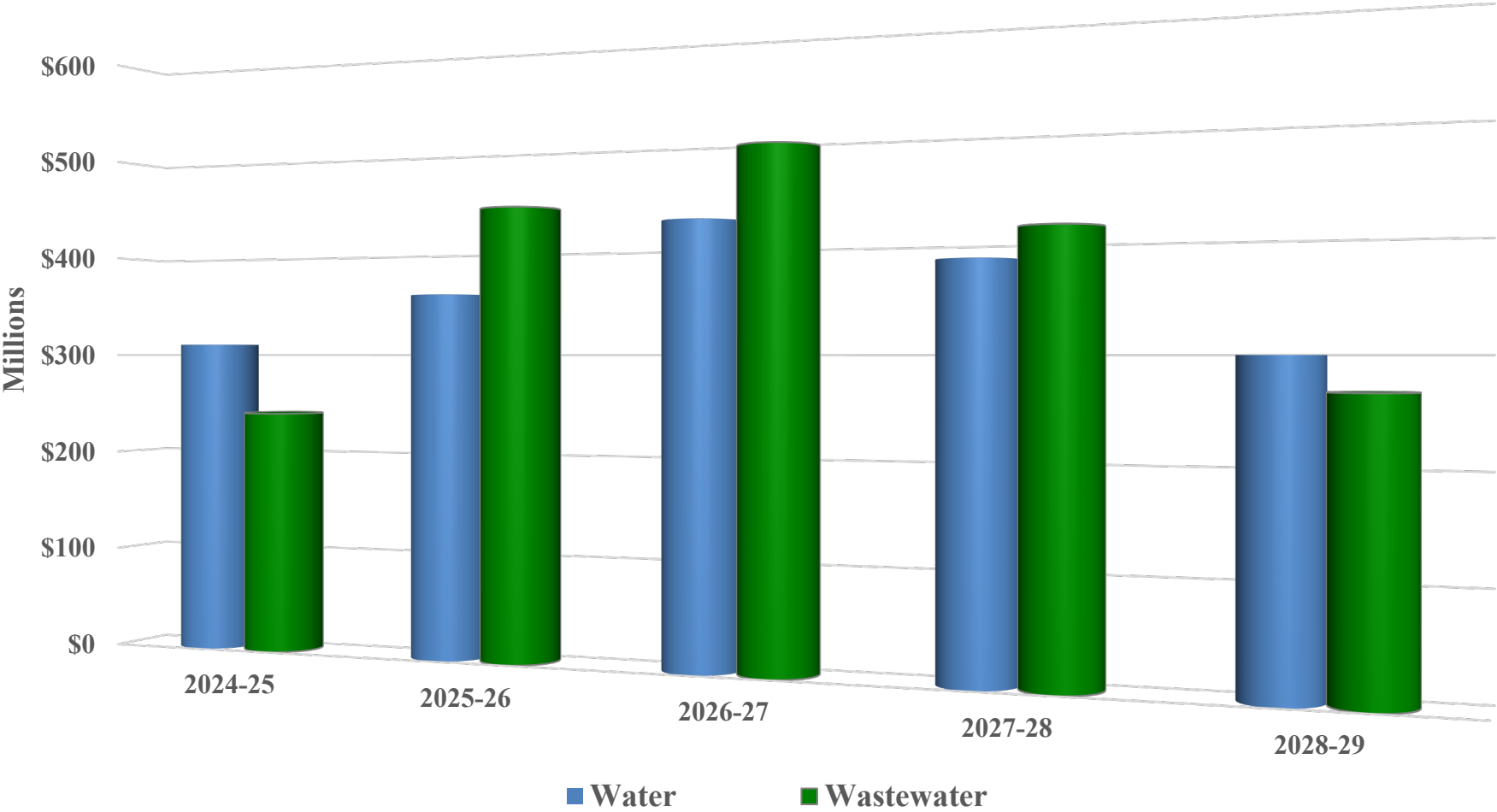
Program & Transaction Overview

- The City of El Paso (City) created a Commercial Paper (“CP”) Program in 1997 and has utilized it for interim construction financing.
 - *Maximum CP program funding capacity: \$80 million*
- The City entered into a Revolving Credit Agreement with Bank of America to provide liquidity to support the City’s CP Notes by making available a revolving line of credit in aggregate principal amount of \$40,000,000 which can be increased to an amount not-to-exceed \$80,000,000, which is set to expire on August 21, 2026.
- The Water & Sewer Utility funding needs for the next ten years exceeds the existing funding capacity and staff recommends expanding the Utility’s existing CP Program by implementing an Extendable Commercial Paper Program.

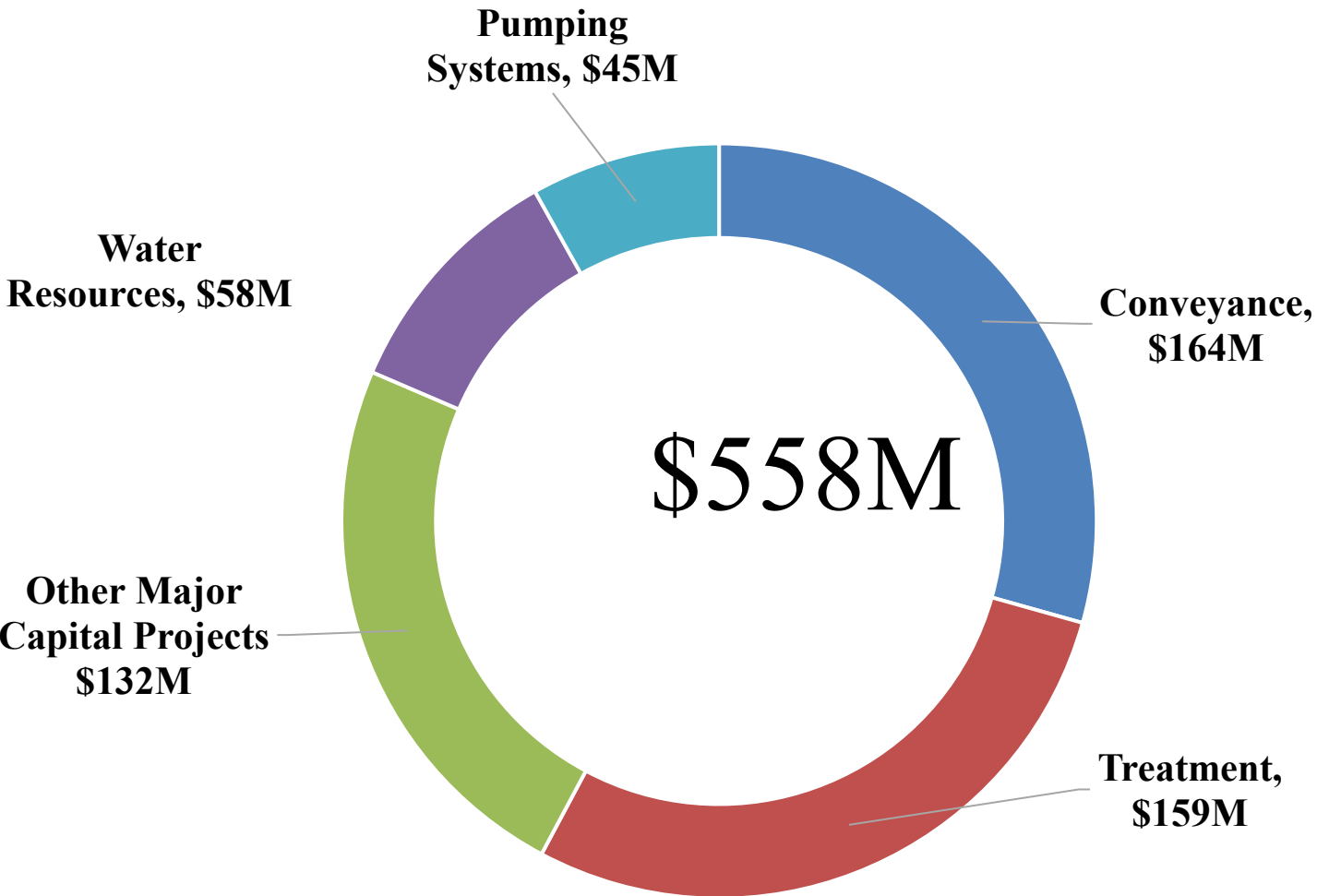


Main driver continues to be the need to invest in infrastructure to provide customers with a sustainable water supply and the highest quality in water services.

Five-Year Projected Water and Wastewater CIP Budget - \$3.7 Billion



Water and Wastewater Capital Improvement Program FY2024-25



New Well Construction and Pump Stations

Wells

Fiscal Year	Budget
2024-25	\$22M
2025-26	\$45M
2026-27	\$25M
2027-28	\$14M
2028-29	\$21M
Total	\$127M



Pump Stations

Fiscal Year	Budget
2024-25	\$27M
2025-26	\$14M
2026-27	\$27M
2027-28	\$44M
2028-29	\$41M
Total	\$153M



Water Conveyance and Storage

Pipelines

Fiscal Year	Budget
2024-25	\$89M
2025-26	\$94M
2026-27	\$166M
2027-28	\$175M
2028-29	\$110M
Total	\$634M



Storage Tanks

Fiscal Year	Budget
2024-25	\$13M
2025-26	\$22M
2026-27	\$62M
2027-28	\$56M
2028-29	\$49M
Total	\$202M



Water Supply Facilities

Advanced Water Purification Plant

Fiscal Year	Budget
2024-25	\$23M
2025-26	\$51M
2026-27	\$67M
2027-28	\$21M
2028-29	
Total	\$162M



Wastewater Conveyance and Lift Stations

Pipelines

Fiscal Year	Budget
2024-25	\$72M
2025-26	\$128M
2026-27	\$90M
2027-28	\$72M
2028-29	\$49M
Total	\$411M



Northeast Interceptor System

Lift Stations

Fiscal Year	Budget
2024-25	\$17M
2025-26	\$16M
2026-27	\$39M
2027-28	\$32M
2028-29	\$4M
Total	\$108M



Frontera Lift Station
Pump Replacement

Wastewater Treatment

Bustamante Wastewater Plant Improvements and Expansion

Fiscal Year	Budget
2024-25	\$85M
2025-26	\$168M
2026-27	\$260M
2027-28	\$181M
2028-29	\$82M
Total	\$776M



Wastewater Facilities

Fred Hervey WRP

Fiscal Year	Budget
2024-25	\$19M
2025-26	\$37M
2026-27	\$24M
2027-28	\$10M
2028-29	\$2M
Total	\$92M



Haskell R. Street WTP

Fiscal Year	Budget
2024-25	\$5M
2025-26	\$28M
2026-27	\$40M
2027-28	\$44M
2028-29	\$27M
Total	\$144M



Water & Wastewater Energy Redundancy

Back-up Power Generators and
Diesel Fuel Storage and Dispensing Systems

Fiscal Year	Budget
2024-25	\$51M
2025-26	\$67M
2026-27	\$21M
2027-28	
2028-29	
Total	\$139M

Project Sites

Legend

-  DIESEL TANK (SB3)
-  PUMP STA. (SB3)
-  WTP (SB3)
-  WELLS (SB3)
-  WWTP



Program & Transaction Overview (Continued)

- On October 30, 2023, staff published a Request for Proposal for a “Water and Wastewater Utility Extendable Commercial Paper Dealer”
- The Utility received one proposal and staff reviewed the information provided by the sole responder, Morgan Stanley & Co. LLC, and based on an evaluation of completeness of the proposal, experience, and overall fees and rates.
- Morgan Stanley & Co. LLC is currently the Municipal Drainage Utility ECP Program Dealer

Program & Transaction Recommendations

- Staff recommends the creation of the “City of El Paso Water & Sewer Utility System Extendable Commercial Paper Program” for an amount not-to-exceed \$300,000,000;
- Staff recommends approving the selection of Morgan Stanley & Co. LLC to provide Extendable Commercial Paper Dealer Services; and,
- Staff recommends approving a parameter authorization to pay off up to \$303,000,000 of extendable commercial paper notes and related transaction costs.

Open Market: Parameter Authorization

☐ Parameter authorization will enable the sale of the Bonds at optimum timing and structure:

- Water & Sewer Utility Revenue Refunding Bonds

☐ Council delegates final pricing authority to following Pricing Officer(s):

- President/Chief Executive Officer
- Vice President
- Chief Financial Officer

☐ Council asked to approve parameters as recommended by PSB:

- Maximum True Interest Cost – 5.50%*
- Aggregate Not-to-Exceed Principal Amount for all bonds – \$303,000,000
- Final Maturity Date – December 31, 2050
- Expiration of Delegated Authority – 12 months

☐ Pricing Officer can only approve sale if all Council parameters are met.

**Current market rates as of April 5, 2024, would price a bond amortized over 25 years for a “AA+” utility revenue bond at approximately 4.46%. Actual interest rates are set at prevailing market rates when bonds are finally priced and sold.*



TOTAL SOURCES & USES OF FUNDS

BUDGETED SOURCES & USES

Bond Proceeds

Par Amount	\$303,000,000
Total Sources	\$303,000,000

Uses of Funds

Deposit to Project Fund	\$300,000,000 ⁽¹⁾
Costs of Issuance	1,000,000 ⁽²⁾
Underwriter’s Fees	2,000,000 ⁽³⁾
Total Uses of Funds	\$303,000,000

(1) Assumes the Utility Refunds the maximum capacity of ECP notes for a total of \$300 million.
(2) Cost of Issuance covers fees for Financial Advisor, Bond Counsel, Attorney General, Rating Fees, Paying Agent, Escrow Agent, Bond Call Fees, and Document Preparation Fees.
(3) Underwriter Fees includes Bond Takedown Fees, Underwriter’s Counsel and other Underwriter Expenses.

NOTE: Analysis is preliminary and subject to change.

Timeframe

- ❑ **April 10, 2024:** Public Service Board authorized a request to City Council for the establishment of the “City of El Paso Water & Sewer Utility System Extendable Commercial Paper Program,” selection of Morgan Stanley & Co. LLC as Extendable Commercial Paper Dealer, and related Bond Authorization.
- ❑ **May 7, 2024:** City Council considers approval of items related to the creation of the “City of El Paso Water & Sewer Utility System Extendable Commercial Paper Program” and Bond Ordinance with delegated authority within specified parameters.

QUESTIONS & ANSWERS