



CITY OF EL PASO

# City of El Paso Debt Service

April 10, 2025



# Agenda Items

- Debt Management & Policy
- Current Debt and Bond Rating
- Recent Transactions
- Debt Maturity and Call Options
- Upcoming Transactions
- Projected Debt Service Tax Model



# Importance of Debt Management

- Provides ability to invest in essential infrastructure and services
- Ensures the City can meet obligations without financial strain
- Sustains and improves the credit rating, which is vital for borrowing costs

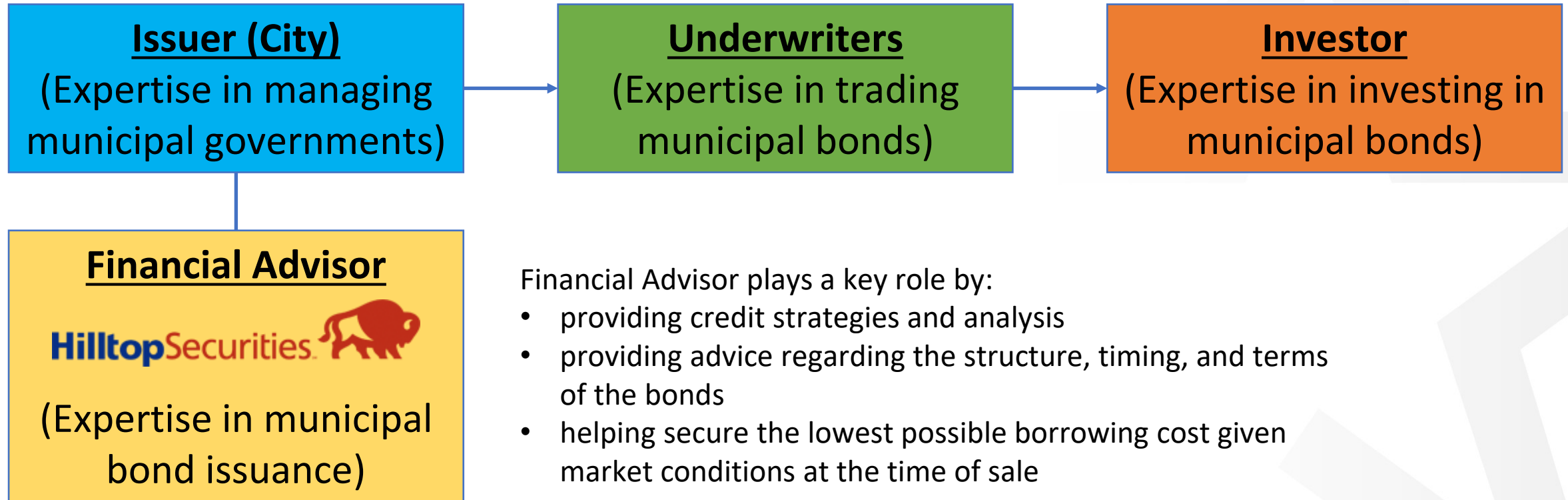
# Debt Management Policy

- Sets forth the parameters for:
  - issuing new debt
  - managing the outstanding debt portfolio
  - identifying the types and amounts of permissible debt
  - maintaining the current bond rating in order to minimize borrowing costs and preserving access to credit
- Policy shall be reviewed and approved by the City Council at least biennially

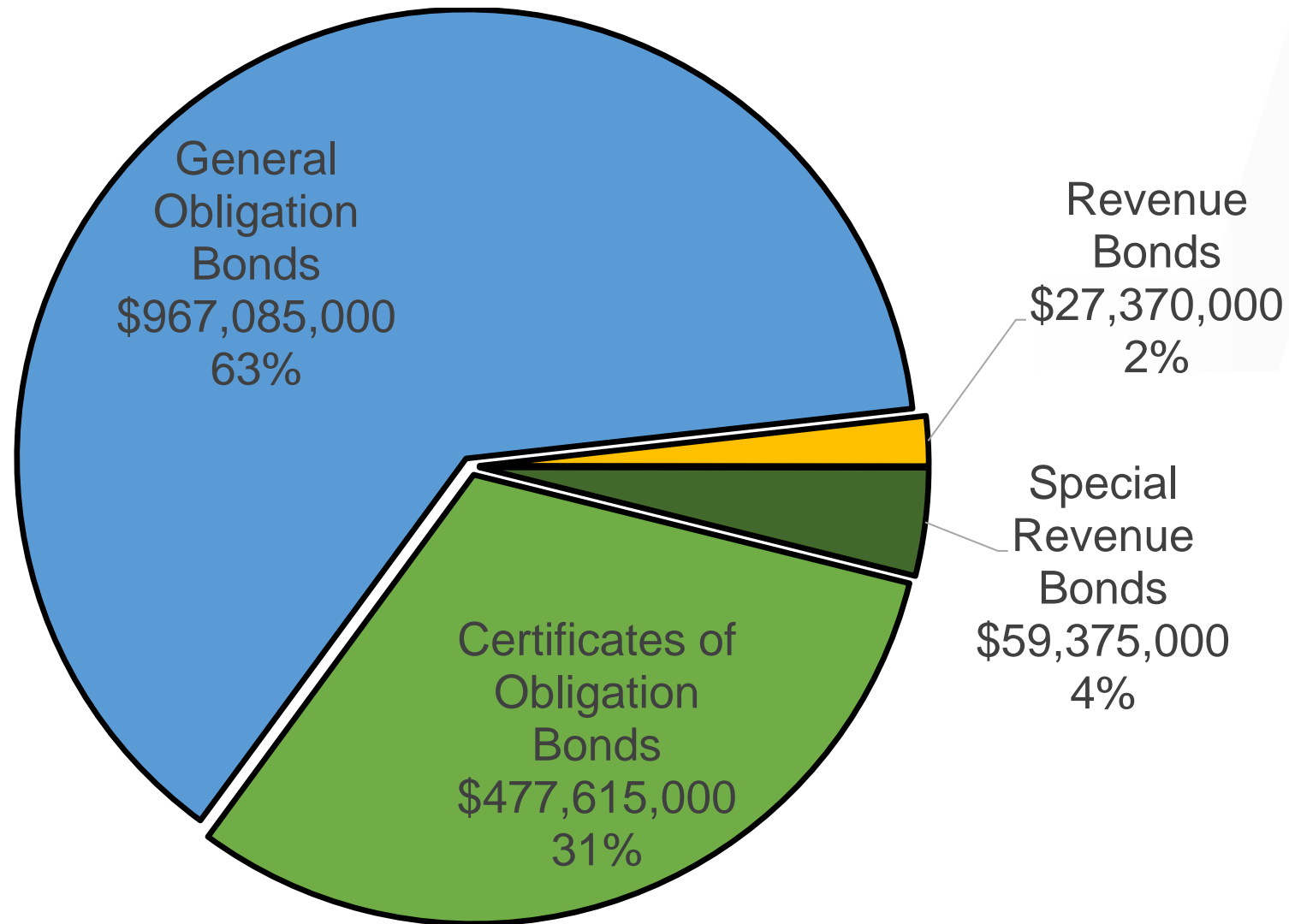
# Debt Limits

Measure	Maximum	Actual
Total principal amount of tax-supported indebtedness to total taxable assessed valuation	10%	2.8%
Net direct debt service as a percent of Net Operating Revenues	20%	10%
Council shall annually adopt the necessary debt service tax rate in order to meet debt service requirement	40 ¢	23 ¢

# Roles in Municipal Bond Transactions



# Breakdown of Outstanding Debt



# Bond Ratings

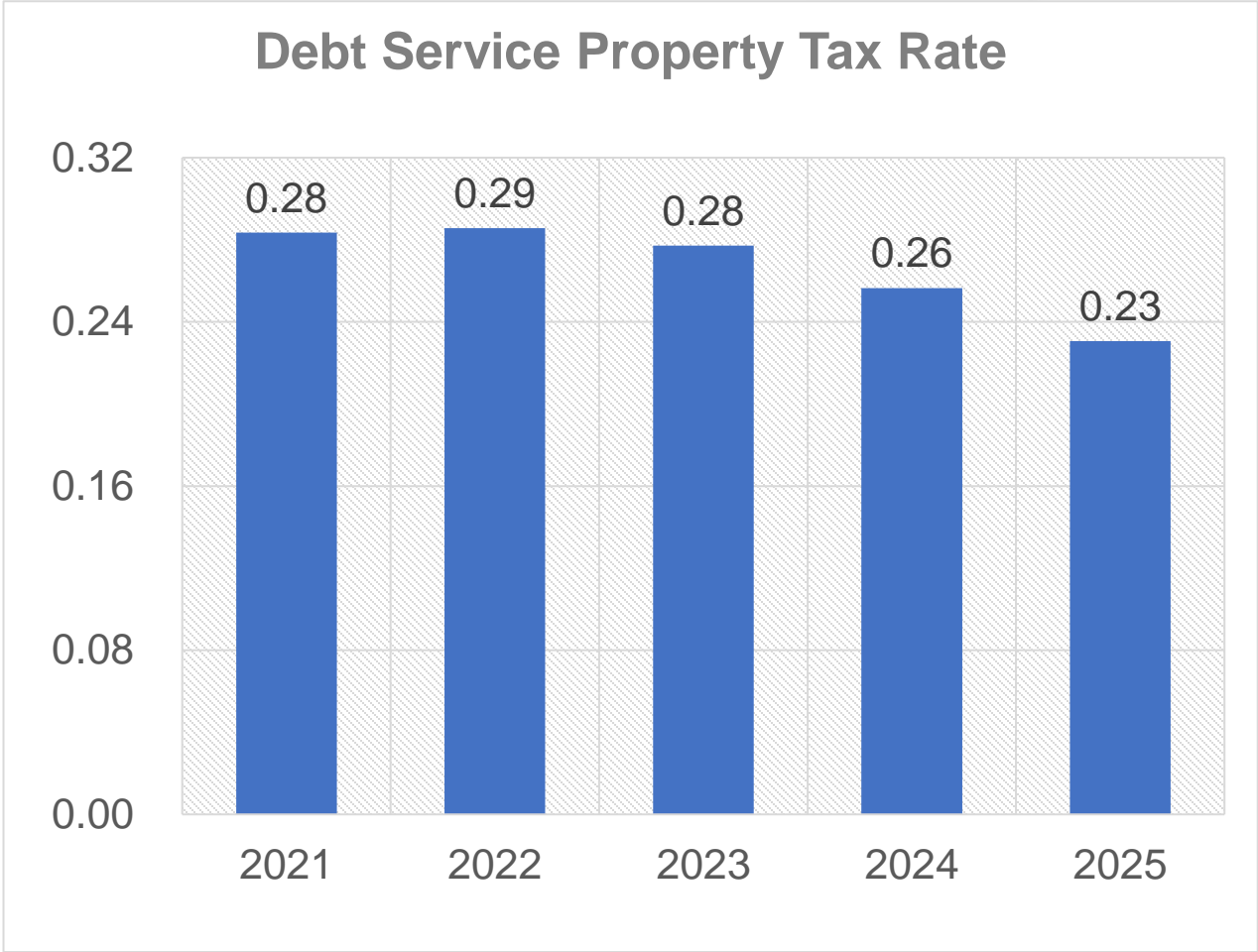
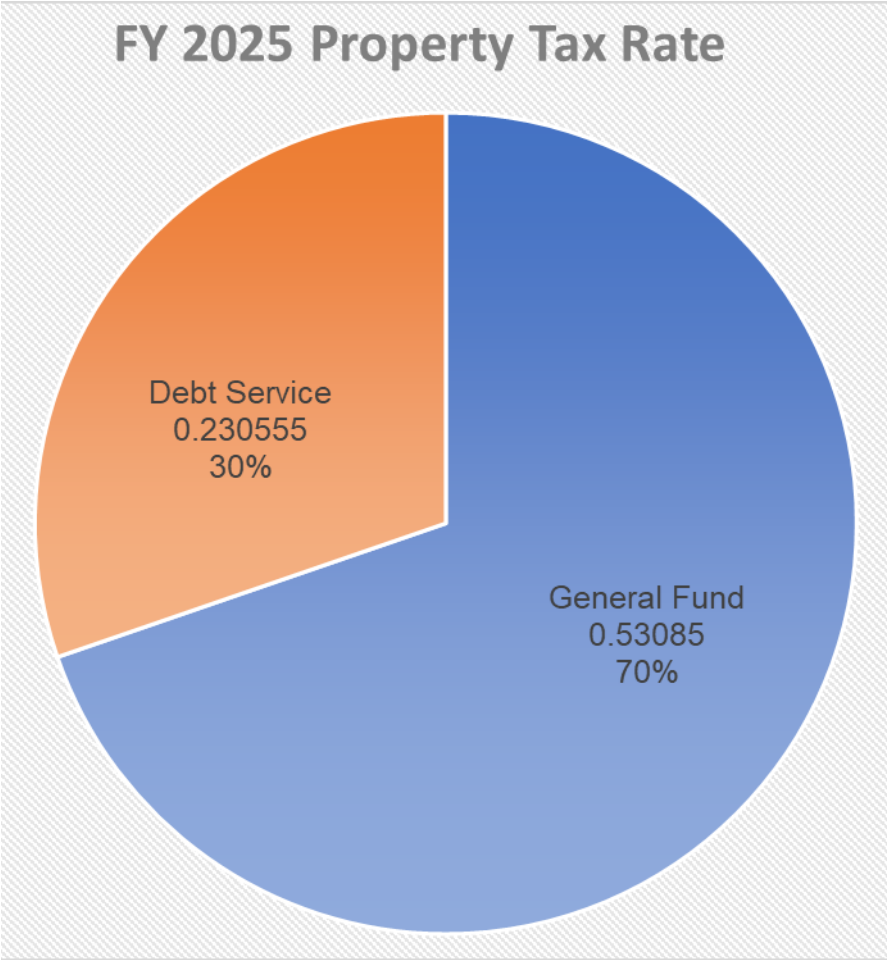
City's Ratings are investment grade with very low credit risk:

- S&P = AA
- Fitch = AA
- Kroll = AA+

	Rating		Description
Investment-grade	AAA		Lowest level of credit risk
	AA+, AA, AA-		Very low credit risk
	A+, A, A-		Low credit risk
	BBB+, BBB, BBB-		Moderate credit risk
	BB+, BB, BB-		Substantial credit risk
	B+, B, B-		High credit risk
Non-investment-grade	CCC+, CCC, CCC-		Very high credit risk
	CC		Highly speculative
	C		Highest level of credit risk
	D		Currently in default



# Property Tax Rate (Cents per \$100 valuation)



# Importance of Debt Management

- Current debt – no maturities until FY 2031 and increasing principal due to interest only structuring
- \$472.2 million GO authorized debt to issue over next 8 years
- Fluctuating interest rate market
- Threat to tax-exempt bonds
- Maintaining high investment grade bond rating

We have  
been  
Strategic and  
proactive to  
minimize  
impact

# Importance of Debt Management

Action	Savings Impact	Note
TRZ #2 SIB Loan Payoff	\$61,559,603	Paid off debt 27 years early. \$8 million annually in new General Fund revenue
Cash Defeasance of 2014 Bonds	\$14,167,346	Structured majority of savings in FY 2027 and 2028 to min. future rate impact
Plaza Theater Debt Payoff	\$3,536,875	Previously dedicated parking meter revenue now comes to General Fund
MPC Defeasance	\$52,963,500	Dec. 2024 Council action to defease unspent bond proceeds. Savings spread from 2025 to 2044
2024 Refunding	\$3,700,475	Savings spread over 2025 to 2027
<b>Total</b>	<b>\$135,927,799</b>	

# Debt Maturity and Repayment Schedules

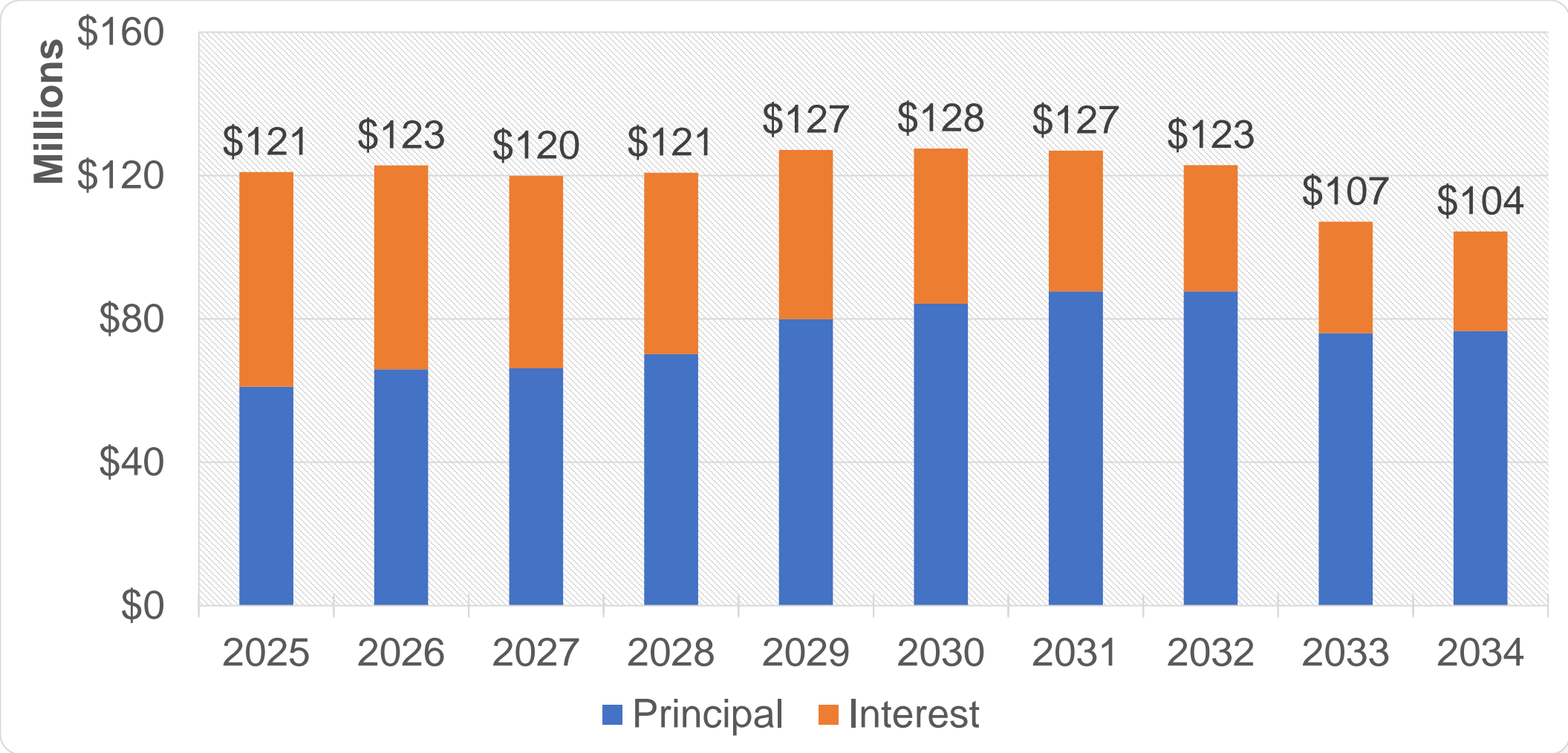
**Future Financial Planning** - Knowing debt maturity helps plan for future financial obligations and manage resources efficiently

# Debt Maturity

ISSUANCE	MATURITY DATE	YRS. TO MATURITY
GO SERIES 2014A - Refunding Bonds	08/15/31	6
GO SERIES 2020B - Refunding Bonds	08/15/32	7
GO SERIES 2014 - Pension Bonds	08/15/34	9
GO SERIES 2016 - Refunding Bonds	08/15/34	9
GO SERIES 2007 - Pension Bonds	08/15/35	10
GO SERIES 2023A - Refunding Bonds	08/15/37	12
SERIES 2014 - (AIRPORT)	08/15/38	13
GO SERIES 2024 - Refunding Bonds	08/15/38	13
GO SERIES 2014 - Refunding & Improvement Bonds	08/15/39	14
GO SERIES 2021A - Refunding Bonds	08/15/39	14
SERIES 2014 - Combination Tax & Revenue	08/15/40	15
SERIES 2015 - Combination Tax & Revenue	08/15/41	16
GO SERIES 2015 - Refunding & Improvement Bonds	08/15/41	16
SERIES 2016 - Combination Tax & Revenue	08/15/42	17
GO SERIES 2016 - Bonds	08/15/42	17
SERIES 2019 - Combination Tax & Revenue	08/15/44	19
GO SERIES 2019A - Refunding & Improvement Bonds	08/15/44	19
GO SERIES 2019B - Bonds	08/15/44	19
SERIES 2020 - Combination Tax & Revenue	08/15/45	20
GO SERIES 2020A - Refunding & Improvement Bonds	08/15/45	20
SERIES 2021A - Combination Tax & Revenue	08/15/47	22
SERIES 2021B - Children's Museum	08/15/47	22
SERIES 2021C - Combination Tax & Revenue	08/15/47	22
GO SERIES 2021 - Bonds	08/15/47	22
GO SERIES 2021B - Bonds	08/15/47	22
GO SERIES 2023 - Bonds	08/15/48	23
<b>Average Years to Maturity (Payoff)</b>		<b>16</b>



# Tax-Supported Debt Service Requirement

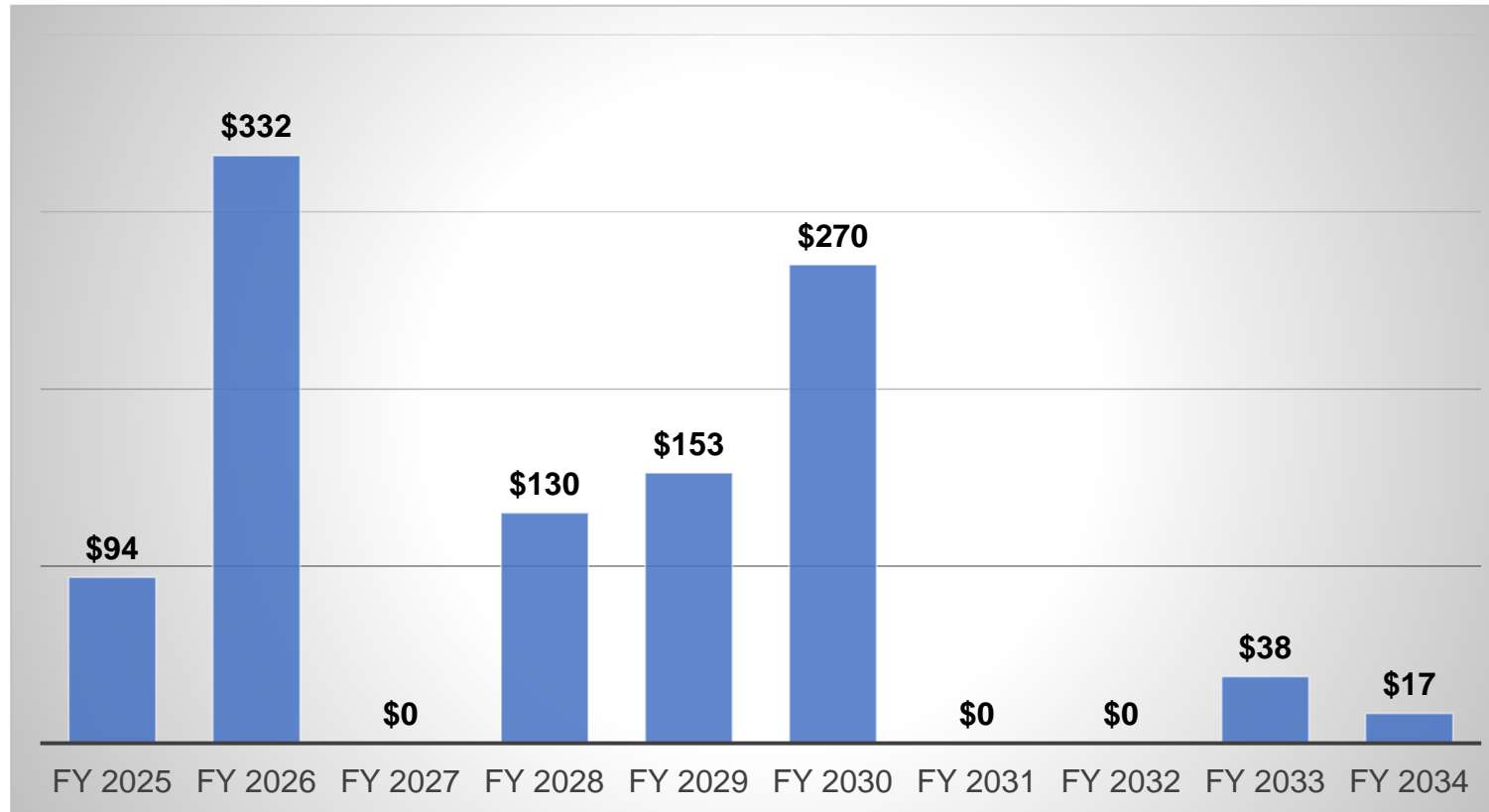


# Strategic Financial Planning

## Use of Refinancing and Restructuring

- Can lower interest rates and reduce payments
- Helps in managing long-term obligations and ensures better financial stability
- Vital for a sustainable financial future and growth

# Annual Callable Schedule (Refunding Opportunities)



- Bonds include call dates, usually ten years from the issuance, which means the bonds can be redeemed earlier than the maturity date (i.e. pay back the bonds)
- Call dates are used to take advantage of the potential for lower interest rates at the time of the call date

# Upcoming Debt Management Actions

- Refunding Opportunities
- Planned issuances for remaining \$472.2 million in Public Safety and Community Progress Bonds
- Utilizing State Infrastructure Bank (SIB) Loans to fund required City match for MPO grants
- Planned early payoff (defeasance) of TIRZ #9 Eastside Sports Complex

# City of El Paso, Texas

## General Obligation Refunding Bonds, Series 2025

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April 11, 2025







- ❑ City of El Paso, Texas seeks to authorize the issuance of General Obligation Refunding Bonds, Series 2025 for Debt Service Savings.
- Municipal bonds are typically issued long-term for 20-30 years, with set coupons, and a call feature that allows the issuer to call bonds if needed. Bonds can be called to restructure existing debt payments, bond covenants, or to reduce overall debt payments.
- Refinancing or “Refunding” Bonds for Savings: Replace existing debt service payments by paying off an “Existing” bond with a “New” bond that produces LOWER overall debt service payments to an issuer.

***A Refunding of bonds is similar to refinancing a home with lower interest rates.***

# Bond Refinancing Overview



## 2025 Refinancing Candidates

Series	Call Date	Callable Principal	Coupon Range	Final Maturity
GO Series 2015	8/15/2025	\$46,005,000	3.625%-5.000%	8/15/2039
CO Series 2015	8/15/2025	\$36,350,000	4.000%-5.000%	8/15/2039
<i>GO Series 2016 (*)</i>	<i>8/15/2026</i>	<i>\$168,405,000</i>	4.000%-5.000%	<i>8/15/2042</i>
<i>CO Series 2016 (*)</i>	<i>8/15/2026</i>	<u><i>\$77,205,000</i></u>	4.000%-5.000%	<i>8/15/2042</i>
TOTAL		\$327,965,000		

**\*GO Series 2016 and CO Series 2016 are not “Currently Callable Bonds.”**

The IRS allows for tax-exempt bonds to be refinanced no more than 90 days before their Call Date. However, bonds may be available for refinancing for savings prior to the call date through a “Bond Tender Offer.”

A “Bond Tender Offer” is a process where an offer is made to existing bondholders to tender (or turn in) their bonds prior to the call for a set price. *Bondholders have a right to accept or reject any offers.*

# Refinancing Summary



## Overall Assumptions

- Refinancing assumes all currently callable debt is refunded and assumes 20% participation of the Tender offer of the 2016 GO & CO bonds, which means 20% of callable bonds are tendered. (Of note, in recent Tender Offer transactions, issuers have seen 20-40% success rate of bonds tendered.)
  - Approximate par amount of refunded: \$118,275,000
- For illustration purposes, interest rates assume underlying rating by S&P “AA”, Fitch “AA”, and Kroll “AA+” as of March 17, 2025.

## Key Bond Statistics\*

Total Savings	\$7,475,000
Net Present Value Savings (\$)	\$5,605,000
Net Present Value Savings (%)	4.74%
Estimated Borrowing Cost (TIC)	3.56%

(\*) Note: This analysis is preliminary and subject to change. Actual results will be based on market conditions at the time of pricing. Includes a tender premium of 2.0% based on average secondary market pricing.

# Open Market: Parameter Authorization



- ☐ Parameter authorization will enable the sale of the Bonds at optimum timing and structure. Also, a parameter authorization would provide flexibility to refund all currently callable bonds and bonds tendered through the Tender Offer.
  - General Obligation Refunding Bonds, Series 2025
  
- ☐ Council delegates final pricing authority to following Pricing Officer(s):
  - City Manager
  - Chief Financial Officer
  
- ☐ Council asked to approve parameters:
  - Maximum True Interest Cost – 4.60%
  - Minimum Present Value Savings – 3.00% (Net of any City contribution)
  - Aggregate Not-to-Exceed Principal Amount for all bonds that can be issued under Ordinance – \$327,965,000
  - Final Maturity Date – December 31, 2042
  - Expiration of Delegated Authority – 12 months
  
- ☐ Pricing Officer can only approve sale if all Council parameters are met.

# Next Steps



- ❑ **June 2025:** City Council considers selling “General Obligation Refunding Bonds, Series 2025”, through a parameter ordinance.
- ❑ **July 2025:** Tentative Pricing of “City of El Paso, Texas General Obligation Refunding Bonds, Series 2025”
- ❑ **July 2025:** Tentative Closing of “City of El Paso, Texas General Obligation Refunding Bonds, Series 2025”



# Planned Debt Issuances for Remaining General Obligation Bonds

	2019 Public Safety	2022 Community Progress	SIB Loans	Total
FY 2025	0	0	0	0
FY 2026	36,873,848	33,957,000	31,064,726	101,895,574
FY 2027	79,893,336	39,616,500	5,500,000	125,009,836
FY 2028	79,893,336	39,616,500	2,560,000	122,069,836
FY 2029	49,165,130	22,638,000		71,803,130
FY 2030		22,638,000		22,638,000
FY 2031		22,638,000		22,638,000
FY 2032		22,638,000		22,638,000
FY 2033		22,638,000		22,638,000
Total	<b>\$245,825,650</b>	<b>\$226,380,000</b>	<b>\$39,124,726</b>	<b>511,330,376</b>

Amounts shown are estimates and subject to change based on cash flow and required annual amounts to fund capital projects.

# TXDoT State Infrastructure Bank (SIB) Loans

- Council previously approved use of one-time revenue for grant match, however this is not sustainable
- This would provide a source for local grant match for MPO transportation infrastructure projects
- Allows the City to leverage an average of 75% of project cost from the MPO
- These are low interest loans for transportation infrastructure projects

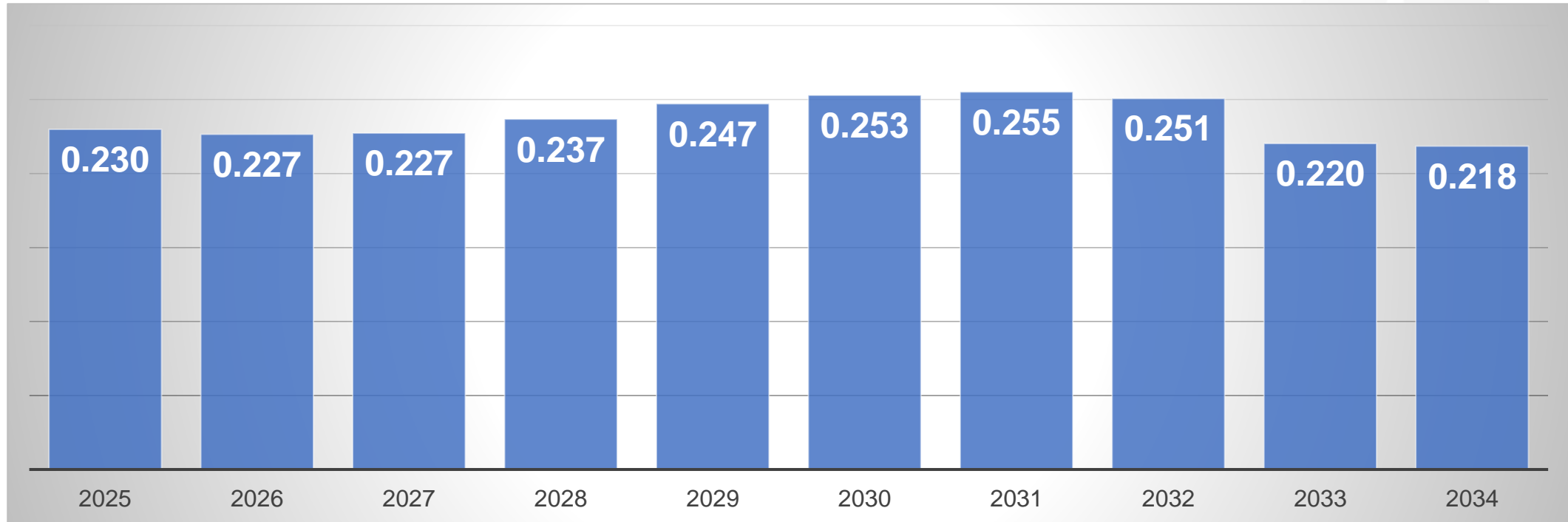
# Tax Increment Reinvestment Zone #9

- Created in 2017 for the construction and maintenance of the Eastside Sports Complex phase two (\$14.5 million)
- Incremental revenue from TIRZ #9 reimburses debt service fund for costs related to the project
- Currently, \$11.7 million obligation remaining to payoff

# Tax Increment Reinvestment Zone #9

- Recommendation
  - Defeasement (payoff) obligation using available debt service reserves (restricted for debt)
  - Terminate TIRZ #9
- Benefits:
  - \$4.8 million currently in the TIRZ #9 fund becomes unrestricted (transfer to General Fund)
  - Approx. \$1.8 million annually collected in the fund would now go to the General Fund

# Projected Debt Service Property Tax Rate (cents per \$100 valuation)



- Includes FY 2025 refunding opportunity savings and MPC defeasance
- Does not include potential savings from tax-exempt tender
- Does not include savings from refunding opportunities beyond 2025



# Summary

- Continue monitoring market conditions for potential interest rate impacts and tax-exempt bond status
- Prepare Ordinance for new money, refunding, and defeasance for Council consideration
- Prepare Ordinance for termination of TIRZ #9
- Bring SIB Loan application for Council consideration

## MISSION



Deliver exceptional services to support a high quality of life and place for our community.

## VISION



Develop a vibrant regional economy, safe and beautiful neighborhoods and exceptional recreational, cultural and educational opportunities powered by a high performing government.



## VALUES

Integrity, **R**espect, **E**xcellence,  
**A**ccountability, **P**eople

## MISIÓN



Brindar servicios excepcionales  
para respaldar una vida y un  
lugar de alta calidad para  
nuestra comunidad

## VISIÓN



Desarrollar una economía regional  
vibrante, vecindarios seguros y  
hermosos y oportunidades  
recreativas, culturales y educativas  
excepcionales impulsadas por un  
gobierno de alto desempeño



## VALORES

Integridad, Respeto, Excelencia,  
Responsabilidad, Personas



# Long-Term Debt Outstanding (Certificates of Obligation)

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REMOVE THIS BOX ONCE THE PRESENTATION IS FINALIZED.

	Issue Date	Maturity Date	Original Issuance	Interest Rates	Balance August 31, 2023	Additions	Reductions	Balance August 31, 2024
Certificates of Obligation								
Series 2014 - Combination Tax & Revenue(Airport)	4/30/2014	8/15/2038	40,000,000	1.375 - 5.000%	\$ 31,070,000	\$ —	\$ 1,495,000	\$ 29,575,000
Series 2014 - Combination Tax & Revenue	8/26/2014	8/15/2040	64,605,000	4.000 - 5.000%	51,630,000	—	43,455,000	8,175,000
Series 2015 - Combination Tax & Revenue	8/17/2015	8/15/2041	57,710,000	4.000 - 5.000%	48,000,000	—	2,245,000	45,755,000
Series 2016 - Combination Tax & Revenue	6/30/2016	8/15/2042	84,205,000	4.000 - 5.000%	83,495,000	—	140,000	83,355,000
Series 2019 - Combination Tax & Revenue	3/5/2019	8/15/2044	93,460,000	3.125 - 5.000%	80,460,000	—	2,335,000	78,125,000
Series 2020 - Combination Tax & Revenue	3/10/2020	8/15/2045	84,855,000	4.000 - 5.000%	80,800,000	—	2,180,000	78,620,000
Series 2021A - Combination Tax & Revenue	6/3/2021	8/15/2047	60,050,000	4.000 - 5.000%	60,050,000	—	—	60,050,000
Series 2021B - Combination Tax & Revenue	6/3/2021	8/15/2047	16,490,000	4.000 - 5.000%	16,490,000	—	—	16,490,000
Series 2021C - Combination Tax & Revenue	12/7/2021	8/15/2047	84,060,000	3.000 - 5.000%	79,070,000	—	1,600,000	77,470,000
Total Certificates of Obligation					531,065,000	—	53,450,000	477,615,000

# Long-Term Debt Outstanding (General Obligation)

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REMOVE THIS BOX ONCE THE PRESENTATION IS FINALIZED.

	Issue Date	Maturity Date	Original Issuance	Interest Rates	Balance August 31, 2023	Additions	Reductions	Balance August 31, 2024
General Obligation								
Series 2007 - Taxable Pension	6/15/2007	8/15/2035	101,240,000	5.512 - 6.018%	65,140,000	—	3,865,000	61,275,000
Series 2014 - Pension	1/16/2014	8/15/2034	110,610,000	0.622 - 5.177%	71,150,000	—	16,905,000	54,245,000
Series 2014 - Refunding & Improvement	5/20/2014	8/15/2039	88,515,000	3.375 - 5.000%	20,630,000	—	19,255,000	1,375,000
Series 2014A - Refunding	8/26/2014	8/15/2031	49,360,000	2.000 - 5.000%	29,390,000	—	29,390,000	—
Series 2015 - Refunding & Improvement	8/17/2015	8/15/2041	116,415,000	3.905 - 5.000%	74,255,000	—	11,655,000	62,600,000
Series 2016 - Refunding	6/15/2016	8/15/2034	121,260,000	3.500 - 5.000%	95,680,000	—	1,090,000	94,590,000
Series 2016	6/30/2016	8/15/2042	175,305,000	4.000 - 5.000%	175,305,000	—	—	175,305,000
Series 2019A - Refunding & Improvement	3/5/2019	8/15/2044	81,445,000	2.000- 5.000%	69,725,000	—	3,500,000	66,225,000
Series 2019B	3/5/2019	8/15/2044	17,045,000	2.000 - 5.000%	14,585,000	—	470,000	14,115,000
Series 2020A - Refunding & Improvement	3/10/2020	8/15/2045	113,935,000	3.000 - 5.000%	105,140,000	—	2,560,000	102,580,000
Series 2020B - Refunding	5/19/2020	8/15/2032	23,040,000	5.000%	18,510,000	—	960,000	17,550,000
Series 2021 - Improvement	6/3/2021	8/15/2047	42,625,000	3.000 - 5.000%	42,625,000	—	—	42,625,000
Series 2021A - Refunding	6/3/2021	8/15/2039	105,290,000	0.257 - 2.759%	84,655,000	—	6,190,000	78,465,000
Series 2021B	12/7/2021	8/15/2047	73,460,000	3.000 - 5.000%	69,510,000	—	—	69,510,000
Series 2023	6/13/2023	8/15/2048	44,735,000	4.000 to 5.000%	44,735,000	—	1,030,000	43,705,000
Series 2023A - Refunding	6/13/2023	8/15/2037	11,555,000	5.000%	11,555,000	—	—	11,555,000
Series 2024- Refunding	7/2/2024	8/15/2038	71,365,000	5.000%	—	71,365,000	—	71,365,000
Total General Obligation Bonds					992,590,000	71,365,000	96,870,000	967,085,000