

City of El Paso, Texas

General Obligation Refunding Bonds, Series 2023A

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April 11, 2023





- ❑ **City of El Paso, Texas seeks to authorize the issuance of General Obligation Refunding Bonds, Series 2023A 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.
 - Refunding/refinancing 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. Similar to refinancing a home with lower interest rates.
 - In today’s market, traditional refundings/refinancings are difficult to execute due to rising interest rates over the last year. Traditional refunding/refinancing captures savings by capitalizing on the difference between the coupon of the refunded bonds and the yield of the refunding bonds.



- **City of El Paso, Texas seeks to authorize the issuance of General Obligation Refunding Bonds, Series 2023A for debt service savings.**
 - However, a refunding/refinancing might be available to the City by refunding existing taxable refunding bonds back to tax-exempt debt through a Bond Tender Offer.
 - What is a Bond Tender Offer?
 - A bond tender offer is a process where an offer is made to existing bondholders to repurchase a specified number of bonds at a particular price and a specified time. *Bondholders have a right to accept or reject any offers.*
 - Tender offer notices are publicly posted for a period of time and will allow the financing team to confirm bondholder’s willingness to sell back their bonds.
 - A tender for taxable bonds generates savings based on the current spread between tax-exempt and taxable yields (not the coupons).
 - The City could borrow at lower “tax-exempt” yields and purchase back outstanding “taxable” yields, thus reducing the overall cost of debt.

Summary of Refunding Results



Series 2021A Taxable GO Refunding Bonds

Summary

- Parameter authorization will provide flexibility to refund all eligible bonds currently outstanding.
- In recent transactions, issuers have seen 20-35% success rate of bonds tendered.
- Issuance assumed at the same time as the issuance of approximately \$46,100,000 General Obligation Bonds, Series 2023 approved by City Council on December 13, 2022.
- Key Assumptions
 - Assumed True Interest Cost: 3.66%
 - Assumed Tender Success Rate: 30%
 - Potential Gross Savings: \$2.99 million
 - Potential Net Present Value %: 7.10%

Savings Comparison

TENDER OFFER					
City of El Paso, Texas					
General Obligation Refunding Bonds					
Taxable Series 2021A					
FYE 8/31	Prior 2021A Debt Service ⁽¹⁾	New Debt Service ⁽²⁾	Annual Savings	FYE 8/31	
2023	\$ 270,019	\$ 214,806	\$ 55,214	2023	
2024	2,475,039	2,290,725	184,314	2024	
2025	2,579,125	2,397,225	181,900	2025	
2026	2,906,803	2,720,475	186,328	2026	
2027	2,905,578	2,719,225	186,353	2027	
2028	2,908,125	2,723,725	184,400	2028	
2029	1,985,294	1,803,475	181,819	2029	
2030	1,983,463	1,799,475	183,988	2030	
2031	1,983,812	1,797,975	185,837	2031	
2032	1,986,978	1,803,725	183,253	2032	
2033	1,988,628	1,806,225	182,403	2033	
2034	1,982,881	1,800,475	182,406	2034	
2035	1,983,913	1,801,725	182,188	2035	
2036	1,982,277	1,799,475	182,802	2036	
2037	1,987,892	1,803,725	184,167	2037	
2038	1,985,422	1,798,975	186,447	2038	
2039	1,299,901	1,115,475	184,426	2039	
	\$ 35,195,150	\$ 32,196,906	\$ 2,998,244		

Average Annual Savings (2024-2039)	\$183,939
2021A Tender Success Rate	30%
2021A Tender Par Amount	\$29,715,000
PV Savings Rate (%)	7.10%

(1) Tender Prices are estimated as of March 10, 2023. Includes a tender premium of 2.0% based on average secondary market pricing.

(2) New debt service is based on current market rates as of March 10, 2023.



- ❑ **Parameter authorization will enable the sale of the Bonds at optimum timing and structure:**
 - General Obligation Refunding Bonds

- ❑ **Council delegates final pricing authority to following Pricing Officer(s):**
 - City Manager/Interim City Manager
 - Chief Financial Officer

- ❑ **Council asked to approve parameters as recommended by PSB:**
 - Maximum True Interest Cost – 4.75%
 - 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 – \$83,500,000
 - Final Maturity Date – December 31, 2039
 - Expiration of Delegated Authority – 12 months

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



- ❑ **April 12, 2023:** City Council considers selling General Obligation Refunding Bonds, Series 2023, through a parameter ordinance.

- ❑ **April 25, 2023:** Globic sends First Invitation to Tender to DTC.

- ❑ **May 10, 2023:** Globic sends Second Invitation to Tender to DTC.

- ❑ **May 16, 2023:** Tentative Pricing of “City of El Paso, Texas General Obligation Refunding Bonds, Series 2023A” & “City of El Paso, Texas General Obligation Bonds, Series 2023”

- ❑ **June 6, 2023:** Tentative Closing of “City of El Paso, Texas General Obligation Refunding Bonds, Series 2023A” & “City of El Paso, Texas General Obligation Bonds, Series 2023”



QUESTIONS & ANSWERS