



Municipal Drainage Utility System Short-Term Financing Program



- El Paso Water Public Service Board (PSB) is proposing to establish an Extendable Commercial Paper Program for the Municipal Drainage Utility (Utility) system in order to finance stormwater capital projects in a not-to-exceed amount of \$60,000,000.
 - The City of El Paso (City) created the Revolving Note Private Placement Program in 2018 and has utilized it for interim construction financing.
 - *Existing program funding capacity: \$25 million.*
 - The City entered into a Note Purchase Agreement with Bank of America for the purchase of the notes for a term of 5 years, which is set to expire on June 19, 2023.
 - The Stormwater Utility funding needs for the next ten years exceeds the existing funding capacity and staff recommends increasing the maximum from \$25 million to \$60 million.



- El Paso Water Public Service Board (PSB) is proposing to establish an Extendable Commercial Paper Program for the Municipal Drainage Utility (Utility) system in order to finance stormwater capital projects in a not-to-exceed amount of \$60,000,000.
 - On February 17, 2023, the Audit & Finance Committee approved a request from staff to post a formal Request for Proposals from qualified firms with qualifications to serve as Extendable Commercial Paper Dealer.
 - On March 17, 2023, the Utility received 5 proposals.
 - Staff rated and ranked all firms based on an evaluation of completeness of proposals, experience, and overall fees and rates.



- Staff recommends the creation of the “City of El Paso Municipal Drainage Utility System Extendable Commercial Paper Program” for an amount not-to-exceed \$60,000,000;
- 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 \$60,000,000 of extendable commercial paper notes and related transaction costs



- ❑ **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 – 6.75%*
 - Aggregate Not-to-Exceed Principal Amount for all bonds – \$61,200,000
 - Final Maturity Date – December 31, 2044
 - Expiration of Delegated Authority – 12 months

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

**Staff recommends an elevated maximum true interest cost cap in the unlikely event of a failed remarketing under extreme volatile market conditions over the next 12 months. Current market rates as of April 2023, would price a bond amortized over 20 years for a “AA+” drainage utility revenue bond at approximately 4.75%. However, actual interest rates are set at prevailing market rates when bonds are finally priced and sold.*



- ❑ **April 12, 2023:** Public Service Board authorizes a request to City Council for the establishment of the “City of El Paso Municipal Drainage Utility System Extendable Commercial Paper Program,” selection of Morgan Stanley & Co. LLC as Extendable Commercial Paper Dealer, and related Bond Authorization.
- ❑ **May 9, 2023:** City Council considers approval of items related to the creation of the “City of El Paso Municipal Drainage Utility System Extendable Commercial Paper Program” and Bond Ordinance with delegated authority within specified parameters.



QUESTIONS & ANSWERS