



# Water System Revenue Bonds, Series 2025

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Finance/Administration Committee

April 22, 2025

Robert Hannay, Treasury Manager

# Water System Plan of Finance

Water System Revenue Bonds, issued in an amount not to exceed \$1,265 million to:

- Fund \$275 million in capital improvement projects (CIP) on a reimbursement basis
- Refund \$528.4 million of callable 2015A, 2015B, and 2015C Bonds for debt service savings
- Refund \$400 million of callable 2010B Build America Bonds for de-risking
- Issued as three series: 2025A, 2025B, and 2025C Bonds

# Wastewater System Plan of Finance

Wastewater System Revenue Bonds, issued in an amount not to exceed \$255 million to:

- Fund \$30 million in CIP on a reimbursement basis
- Refund \$54.8 million of callable 2015A-1 Bonds for debt service savings
- Refund \$150 million of callable 2010B Build America Bonds for de-risking
- Issued as two series: 2025A and 2025B Bonds

# New Money to be Issued as Green Bonds

- Water and Wastewater systems new money bonds will be labeled “Green Bonds”
  - Water, Series 2025A providing \$275 million in CIP funding
  - Wastewater, Series 2025A providing \$30 million in CIP funding
- “Guidance for Issuing Green Bonds” adopted by the Board in March 2022
  - First adopted in 2015
- Proceeds from issues will be used for environmentally beneficial projects
  - Projects are funded on a reimbursement basis

# Refundings for Debt Service Savings

- Water, Series 2025B Bonds
  - Refund \$528.4 million of callable Water Series 2015A, 2015B and 2015C Bonds
- Wastewater, Series 2025B Bonds
  - Refund \$54.8 million of callable Wastewater Series 2015A-1 Bonds
- Net present value savings threshold is at least 3 percent of the refunded par

# Refundings for De-Risking

- Water, Series 2025C
  - Refund \$400 million of callable Water Series 2010B Build America Bonds (BABs)
- Wastewater, Series 2025B
  - Refund \$150 million of callable Wastewater Series 2010B BABs
- BABs callable under the extraordinary optional redemption provisions
- Net present value savings threshold is at least \$0 for de-risking

# Build America Bonds (BABs)

- Issued under the American Recovery and Reinvestment Act of 2009
  - Taxable municipal bonds that provided Federal tax credits or subsidies for local government issuers
  - District's BABs were issued with Federal subsidy equal to 35% of the interest payments
- Congress began to reduce the BABs subsidy through a process called "sequestration" in 2013
  - Reductions have ranged from 5.7% to 8.7% of the subsidy payment
  - Possibility that subsidy could be further reduced or eliminated in future years
- BABs generally issued with an extraordinary optional redemption ("EOR") feature which is less costly than the make-whole optional redemption
  - Available for use if an "Extraordinary Event" results in a material adverse change to the Federal tax code or the cash subsidy payment to be reduced or eliminated under certain circumstances
  - To utilize the EOR, the District's proposed resolutions make a determination that an "Extraordinary Event" has occurred

# Next Steps for the Authorization of the 2025 Water System Bonds

- Board considers authorizing and approving the issuance of the Water System Revenue Bonds, Series 2025 at its April 22, 2025 meeting
  - To be issued in one or more series
- Aggregate principal amount not to exceed \$1,265 million
- True interest cost not to exceed 5.75%
- Negotiated sale
- Debt service costs are expected to remain within budgeted estimates
- Board considers approving execution of bond documents at its April 22, 2025 meeting

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- Aggregate principal amount not to exceed \$255 million
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# Questions?



Flowing  
into the  
Future