



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: 06/07/18

Staff Contact: Nancy Paulson, City Manager

Agenda Title: For Possible Action: To approve a proposal to refinance the series 2010A Water Bonds and issue up to \$7 million in new bonds for construction of the East/West Transmission Line Project. (Nancy Paulson, npaulson@carson.org)

Staff Summary: City staff are proposing to refinance the series 2010A Water Bonds and use the estimated savings from refinancing the Bonds to partially offset the cost of issuing new bonds for the East/West Transmission Line. The United States Environmental Protection Agency approved Carson City's request to refund the series 2010A Water Bonds through the State of Nevada, State Revolving Funds (SRF). A condition of the refinance requires Carson City to reinvest the savings into a new water improvement project. City Staff and JNA Consulting Group will present an overview of the proposed plan.

Agenda Action: Formal Action/Motion

Time Requested: 15 minutes

Proposed Motion

I move to approve the proposal to refinance the series 2010A Water Bonds and issue up to \$7 million in new bonds for construction of the East/West Transmission Line Project.

Board's Strategic Goal

Sustainable Infrastructure

Previous Action

5/21/18 - The Utility Finance Oversight Committee approved to recommend to the Board of Supervisors a proposal to refinance the series 2010A Water Bonds and issue up to \$7 million in new bonds for construction of the East / West Transmission Line project by a vote of 4-0, 1 absent.

Background/Issues & Analysis

In spring 2016, City staff requested the Nevada Division of Environmental Protection through the SRF, refinance the 2010A Water Bonds (Bonds). The Bonds were issued to finance the acquisition of water rights from the Town of Minden. The SRF initially declined the request, pending the City obtain a waiver from the United States Environmental Protection Agency (EPA), allowing the Bonds to be refinanced. The Bonds were financed through the Build America Bonds (BAB) federal subsidy program which had various restrictions.

In spring 2017, City staff requested a waiver from the EPA to refinance the Bonds. In February 2018, the EPA granted the waiver. However, as a condition of the waiver, the savings from the refinancing of the Bonds must be reinvested into a new water improvement project.

City staff propose that the estimated savings of approximately \$3.3 million from refinancing the Bonds be used to partially offset the cost of issuing up to \$7 million in new bonds for the East/West Transmission Line project, thereby fulfilling the EPA's requirements.

The East/West Transmission Line is a planned expenditure in fiscal years 2019 and 2020 capital improvement plan previously approved by the Board of Supervisors (\$1,050,000 and \$6,000,000 in fiscal years 2019 and 2020, respectively).

Applicable Statute, Code, Policy, Rule or Regulation

NRS Chapter 350 and 244A

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number: Estimated debt service savings of approximately \$3.3 million on the refinancing to partially offset the new debt service of \$11.4 million for a net increase of approximately \$8.1 million in debt service payments over the next 20 years from the Water Fund.

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: Final amounts of bond proceeds, issuance costs, debt service and capital projects will be added to the Water Fund Budget through a budget augmentation in FY 2019.

Alternatives

Elect to not pursue the refinancing and accumulate funds to do projects on a pay as you go basis.

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Carson City, Nevada



Water Refinancing Presentation

May 2018



Prepared by
JNA Consulting Group, LLC



Refinancing Overview

- In Spring 2016, city staff requested that SRF consider refinancing its 2010A Bonds through the Revolving Fund
- Due to the project funded by the 2010A Bonds (Minden water rights acquisition), SRF initially declined
- In early 2017, SRF requested a waiver from EPA to refinance the 2010A Bonds
- In February 2018, EPA granted the waiver
 - The waiver requires Carson City to reinvest the savings from refinancing the 2010A Bonds into a new water improvement project
- Staff propose the savings be used to partially offset the cost of borrowing for the east/west transmission line (fulfilling EPA requirements)





Outstanding Water Bonds

Bond	Amount Outstanding	Effective Rate	Prepayment Feature
2009 SRF Bond	\$2,113,513	0.00%	Anytime*
2010A Bonds	10,100,000	4.33	05/20 @ par
2010B Bonds	3,365,000	4.42	05/20 @ par
2010E SRF Bond	16,980,775	2.53	Anytime*
2012A Bond	11,835,000	4.11	05/22 @ par
2014A SRF Bond	5,585,766	2.79	Anytime*
2014C Bond	<u>4,610,000</u>	2.53	Anytime
TOTAL	\$54,590,054	3.52	

* Requires pre-approval from State/SRF





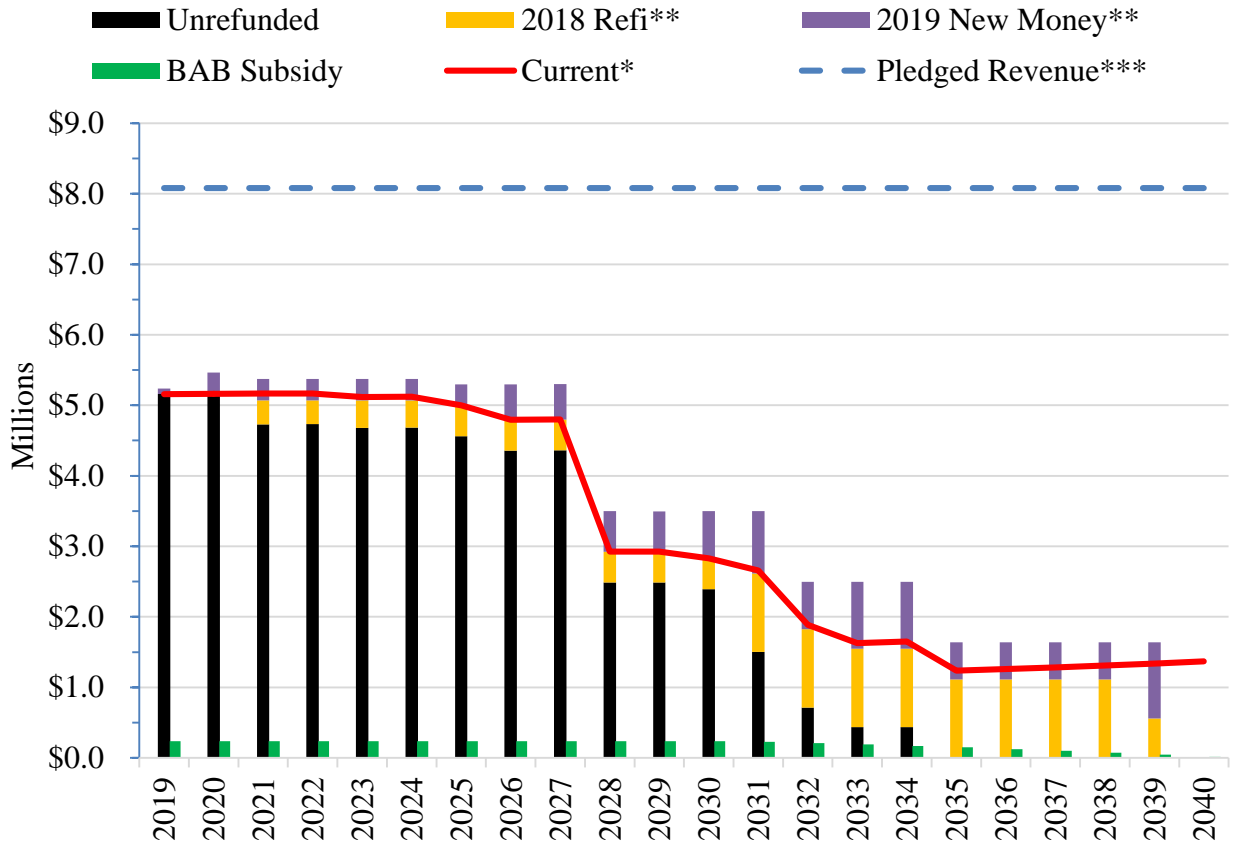
Refinancing Proposal

- Refinance all 2010A Bonds through the SRF
- Savings will be structured in order to maximize early debt service reduction to create room for the east/west transmission line project (see following page)
 - East/west transmission line cost estimated at \$7.9 million
 - \$7.0 million to be funded with bonds and \$0.9 million from water fund cash
- Refinancing savings are estimated at \$3.3 million

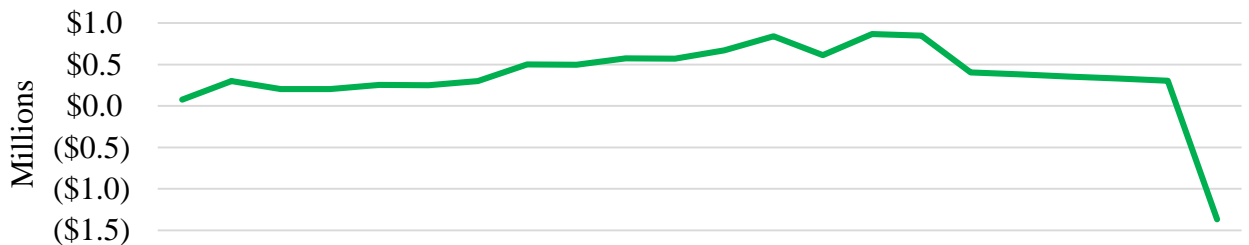




Debt Service Analysis



Total Debt Service Change**



Net debt service change:
\$7,979,072

* Net of federal subsidy received

** Subject to change

*** FY19 Water Fund Tentative Budget (consists primarily of operating income excl. depreciation)





Revised Water Bonds

Bond	Amount Outstanding	Effective Rate
2009 SRF Bond	\$2,113,513	0.00%
2010B Bonds	3,365,000	4.42
2010E SRF Bond	16,980,775	2.53
2012A Bond	11,835,000	4.11
2014A SRF Bond	5,585,766	2.79
2014C Bond	4,610,000	2.53
2018B Bonds	10,217,000	2.43*
2019 Bonds	<u>7,000,000</u>	4.30*
TOTAL	\$61,707,054	

	Current	Proposed
Max Debt Service	\$5,169,062	\$5,465,535
Rev. Utilization %	63.984	67.654

* Preliminary, subject to change

Note: Excludes the 2010A Bonds to be redeemed on May 1, 2020.





What are the Benefits?

- SRF's offer to refinance the 2010 Bonds reduces future debt service cost by over \$3.3 million*
 - Present value of these savings is \$2.1 million*
 - Savings without SRF assistance are unlikely
- Construction cost inflation risk on the east/west transmission line is minimized
 - Project originally estimated at \$5 million in 2009.
 - Absent this bonding proposal, project not expected to be completed without a water rate increase.
- Annual pay-go capacity is still substantial (> \$2.5 million)
 - Pay-go capacity jumps significantly in FY28
 - Next refinancing opportunity in FY22

* Preliminary, subject to change





What is the Request?

- Recommend staff's proposal to refinance the 2010A Bonds through SRF
- Recommend staff's proposal to issue up to \$7 million in bonds for the east/west transmission line
 - First steps to be taken in Summer 2018
 - Bonds expected to be issued in early 2019





Calendar

Date	Action
Today	Staff directed to proceed
June 20	State Board for Financing Water Projects approves refinancing request
July 5	Introduction of refunding bond ordinance
July 19	Refunding bond ordinance approved; City begins issuance process for east/west transmission line bonds
Early August	Refunding bond closes
Mid-August	Carson City Debt Management Commission considers proposed transmission line bonds
Late 2018	Transmission line bond ordinance approved
January 2019	Transmission line bonds issued
2019	Transmission line construction begins



Fiscal Year	Water System Pledged Rev. ¹	Current	Post-Refunding	East-West	Revised	Net	Debt Service as % of Pledged Revenues	
		Debt Service ²	Debt Service	Debt Service	Debt Service	Change	Current	Revised
2019	\$8,078,631	\$5,162,205	\$5,162,205	\$76,200	\$5,238,405	\$76,200	63.900%	64.843%
2020	8,078,631	5,163,897	5,163,897	301,450	5,465,347	301,450	63.920%	67.652%
2021	8,078,631	5,168,034	5,069,913	301,450	5,371,363	203,329	63.972%	66.489%
2022	8,078,631	5,169,062	5,069,497	301,450	5,370,947	201,884	63.984%	66.483%
2023	8,078,631	5,117,509	5,068,475	301,450	5,369,925	252,417	63.346%	66.471%
2024	8,078,631	5,122,752	5,070,271	301,450	5,371,721	248,969	63.411%	66.493%
2025	8,078,631	4,997,689	4,997,414	301,450	5,298,864	301,175	61.863%	65.591%
2026	8,078,631	4,795,920	4,794,784	502,350	5,297,134	501,214	59.365%	65.570%
2027	8,078,631	4,800,220	4,799,124	499,050	5,298,174	497,954	59.419%	65.583%
2028	8,078,631	2,924,420	2,923,227	573,950	3,497,177	572,758	36.199%	43.289%
2029	8,078,631	2,925,020	2,924,607	571,950	3,496,557	571,537	36.207%	43.282%
2030	8,078,631	2,828,428	2,827,658	670,350	3,498,008	669,581	35.011%	43.300%
2031	8,078,631	2,659,084	2,626,470	868,725	3,495,195	836,111	32.915%	43.265%
2032	8,078,631	1,884,136	1,834,554	660,975	2,495,529	611,393	23.322%	30.890%
2033	8,078,631	1,628,552	1,559,693	938,950	2,498,643	870,091	20.159%	30.929%
2034	8,078,631	1,650,879	1,559,637	937,550	2,497,187	846,308	20.435%	30.911%
2035	8,078,631	1,235,407	1,123,786	538,050	1,661,836	426,429	15.292%	20.571%
2036	8,078,631	1,257,429	1,124,527	540,094	1,664,621	407,192	15.565%	20.605%
2037	8,078,631	1,281,528	1,124,624	535,863	1,660,486	378,958	15.863%	20.554%
2038	8,078,631	1,307,487	1,124,075	535,888	1,659,963	352,476	16.185%	20.548%
2039	8,078,631	1,335,090	561,882	1,097,844	1,659,726	324,635	16.526%	20.545%
2040	8,078,631	<u>1,369,013</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,369,013)</u>	16.946%	0.000%
		\$69,783,759	\$66,510,318	\$11,356,487	\$77,866,806	\$8,083,047		

¹ Consists primarily of operating revenues less operating expenses (excl. depreciation). Based on FY2018-19 tentative budget.

² Net of originally scheduled BAB subsidy receipts.

