



Legislation Text

File #: 21-0577, Version: 1

Consider and take action on an ordinance authorizing the issuance of City of League City, Texas General Obligation Refunding Bonds, Series 2021; levying a tax in payment thereof; authorizing the issuance of the bonds in accordance with specified parameters; authorizing the redemption prior to maturity of certain outstanding obligations; approving the preparation and distribution of an official statement; and enacting other provisions relating thereto; and providing for the effective date thereof (Interim Director of Finance)

Staff requests approval on first and final reading.

If approved, this ordinance authorizes the issuance of General Obligation Refunding Bonds. Principal will not be extended beyond its original maturity date. The final maturity will be in February of 2031, for a term of 9 years. The purpose of the refunding is to reduce annual payments for savings. There is one issue that will be refunded representing \$28,815,000 of par. Gross savings are expected to exceed \$4,370,000. Net Present Value Savings are expected to exceed \$3,960,000. The Net Present Value Savings as a percentage of the refunded bonds is expected to exceed 13.75%. Annual savings will be realized in each year that principal is refunded based on the debt outstanding from the original debt schedule on a uniform basis. A cash contribution of debt service funds in the approximate amount of \$400,000 will be made at closing. The cash contribution is made so the current years' debt service will not be reduced but remain as budgeted. Future fiscal years debt service will be reduced because of the refunding. See schedule of debt to be refunded below.

This Issue	Final							
Original	Bond	Issue	Original	Use	of	Proceeds	Refunded	Par
<u>Maturity</u>								
Tax& WW & SS Rev CO, Series 2011A	Utility System		\$28,815.00			2031		

This bond sale is to be competitive with delegated authority to the Mayor, City Manager, and Interim Director of Finance. Based on current market conditions, the competitive sale approach with delegated authority is intended to achieve the lowest overall cost to the City for this sale in terms of total interest cost. The Preliminary Official Statement (POS) is the offering document used to present the City's sale to the marketplace. The POS contains financial, organizational, programmatic, and legal information about the City, including planned refunding of bonds and the initial proposed payment schedule. As with the recently issued general obligation bonds, it is expected that this issue will sell at a premium. The premium will offset some of the principal needed to refund the existing debt resulting in the issuance of fewer bonds.

The bond ordinance approves the sale with the parameters that will control the approval of the sale by the Mayor, City Manager, and Interim Director of Finance. This includes:

1. A sale of bonds not to exceed \$28,815,000 in principal.
2. A maximum maturity date no later than February 15, 2031 for the refunding bonds.
3. Authority to approve the sale as late as April 10, 2022 (six months).
4. A true interest cost not to exceed 1.75%.

Staff intends to conduct the sale on or about Wednesday, October 20, 2021. The bond calendar will be monitored and a date for the sale chosen that is advantageous to the City relative to other bond sales and market conditions. The following

firms are providing professional services for the sale:

1. The City authorized a contract with Hilltop Securities to provide financial advisory services to the City on April 22, 2020.
2. The City authorized Bracewell, LLP to serve as legal counsel for the issuance of bonds

Attachments:

1. Data Sheet
2. Proposed Ordinance
3. Cost of Issuance Analysis
4. Draft Preliminary Official Statement

FUNDING

{X} NOT APPLICABLE

STRATEGIC PLANNING

{X} NOT APPLICABLE