






Washington Suburban Sanitary Commission

Interoffice Memorandum

TO: THE COMMISSION

THRU: CARLA A. REID
GENERAL MANAGER/CEO 

THRU: JOSEPH F. BEACH 
CHIEF FINANCIAL OFFICER

FROM: J.D. NOELL 
DISBURSEMENTS GROUP LEADER

DATE: SEPTEMBER 14, 2016

SUBJECT: BOND REFUNDING PLAN

Every year our financial advisor reviews WSSC's debt portfolio to identify potential refunding opportunities. Based on their analysis, utilizing current market conditions, they prepared a Refunding Plan and Analysis (the Plan) which is attached. The Plan identifies one bond issue, the Consolidated Public Improvement Bonds of 2011, (Issue 3 on the chart) that would result in debt service savings of approximately \$6.6 million or a net present value percent savings of 4.3%. The Plan identifies several additional outstanding bond issues which currently exhibit negative savings. However, if economic conditions continue to improve and interest rates decline, these issues could be considered for refunding.

It is recommended that the Commission approve the Plan and its transmittal to the County Executives and County Councils in accordance with the WSSD Code.

Attachments

WASHINGTON SUBURBAN SANITARY COMMISSION

REFUNDING PLAN & ANALYSIS

SUBMITTED BY

PUBLIC ADVISORY CONSULTANTS, INC.

July 13, 2016

Washington Suburban Sanitary Commission
Tax-Exempt Bond Refunding Plan

Executive Summary

Public Advisory Consultants, Inc., as financial advisor to the Washington Suburban Sanitary Commission (WSSC, or the Commission), has conducted a review of outstanding tax-exempt indebtedness (including Build America Bonds) of the Commission for refinancing suitability. Based on current market conditions, there is one bond issue that can be refunded for savings at this time. All numbers are based on current market conditions and subject to change.

The callable portions of the Commission's Consolidated Public Improvement Bonds of 2011 can be refunded for savings now. Based on current markets rates, by refunding this bond issue, approximately \$6.6 million in NPV savings and \$7.6 million in gross savings can be realized through the issuance of \$151.7 million in tax-exempt refunding bonds to refinance \$150 million, the callable components of \$225 million in outstanding debt. An important consideration is that because the call date for these bonds is still nearly 5 years away, approximately \$8.3 million in negative arbitrage exists for the refunding at this time. This number will likely decrease as the call date approaches.

The chart below shows our analysis of NPV savings at current market rates, negative arbitrage, and NPV savings at current rates if the outstanding bond series were currently callable now.

Bond Series	NPV Savings at Current Rates	Negative Arbitrage	NPV Savings if Current Refunding
BAB, Series 2009B	\$ 515,909	\$ 3,698,283	\$ 9,192,826
BAB, Series 2010B	-3,936,608	6,001,275	10,705,930
CPI Bonds of 2011	6,576,914	8,337,556	20,110,215
CPI Bonds of 2012	-1,755,199	7,186,807	10,714,084
CPI Bonds of 2013	946,570	4,120,311	8,676,847
CPI Bonds of 2014	-1,211,441	6,409,373	16,621,601
CPI Bonds of 2014 (2 nd Series)	-6,849,497	11,977,769	32,083,070
CPI Bonds of 2015	-13,328,548	19,623,377	50,187,567
CPI Bonds of 2016	-15,701,779	7,187,620	50,187,567

We will continue to monitor the market for refunding opportunities. If rates were to rise, savings would decrease or the opportunity to refund may go away.

Major Assumptions and Methodology

- Tax-exempt refunding bond rates as of late-June 2016.
- All eligible outstanding bonds called on earliest date.
- Escrow investments based on SLGS rates as of June 29, 2016.
- Issuance Costs estimated at \$2.00/\$1,000 in bonds and underwriter's discount estimated at \$6.00/\$1,000 in bonds.
- Refunding bonds structured to achieve equal annual debt service savings within each year. (WSSC could choose to receive upfront savings if preferable.)
- All net present value savings statistics are net of all transaction costs.

Washington Suburban Sanitary Commission
Tax-Exempt Bond Refinancing Analysis (Including Tax-Exempt Refunding of Build America Bonds)
Summary of Debt Service Savings

Jul-16
Current Rates

Issue Number	Original Dated Date	Final Maturity Date	Original Bond Size	Purpose	Outstanding Principal	Refinanced Principal	Current Average Interest Rate	Earliest Refinancing Date	Refunding Bonds Issued	Gross Present Value \$ Savings*	Net Present Value \$ Savings *	Net Present Value % Savings *	Negative Arbitrage
1	10/8/2009	6/1/2029	\$90,000,000	Build America Bonds, Series 2009B	\$90,000,000	\$90,000,000	2.93%	Immediate	\$83,075,000	\$981,937	\$464,459	0.516%	3,696,283
2	9/29/2010	6/1/2030	\$120,000,000	Build America Bonds, Series 2010B	\$120,000,000	\$120,000,000	2.87%	Immediate	\$111,940,000	(\$3,766,081)	(\$4,031,122)	-3.359%	6,001,275
3	11/16/2011	6/1/2031	\$300,000,000	Consolidated Public Improvement Bonds of 2011	\$225,000,000	\$150,000,000	3.86%	Immediate	\$151,725,000	\$7,613,042	\$6,576,914	4.385%	8,337,556
4	11/15/2012	6/1/2032	\$250,000,000	Consolidated Public Improvement Bonds of 2012	\$200,000,000	\$125,000,000	3.25%	Immediate	\$114,475,000	(\$1,209,000)	(\$1,830,711)	-1.465%	7,186,807
5	4/23/2013	6/1/2032	\$150,000,000	Consolidated Public Improvement Bonds of 2013	\$120,000,000	\$67,500,000	4.18%	Immediate	\$66,220,000	\$1,192,392	\$898,239	1.331%	4,120,311
6	4/29/2014	6/1/2044	\$150,000,000	Consolidated Public Improvement Bonds of 2014	\$140,000,000	\$105,000,000	4.09%	Immediate	\$106,130,000	(\$1,768,842)	(\$1,288,591)	-1.227%	6,409,373
7	12/2/2014	6/1/2044	\$250,000,000	Consolidated Public Improvement Bonds of 2014 (Second Series)	\$236,250,000	\$192,690,000	4.05%	Immediate	\$199,665,000	(\$10,762,375)	(\$7,153,169)	-3.712%	11,977,769
8	10/28/2015	6/1/2045	\$390,000,000	Consolidated Public Improvement Bonds of 2015	\$383,500,000	\$318,715,000	3.94%	Immediate	\$326,910,000	(\$20,031,467)	(\$13,833,331)	-4.340%	19,623,377
9	5/26/2016	6/1/2046	\$145,000,000	Consolidated Public Improvement Bonds of 2016	\$145,000,000	\$112,760,000	3.31%	Immediate	\$114,035,000	(\$23,492,281)	(\$15,815,313)	-14.026%	7,187,620
Total			\$1,845,000,000		\$1,660,150,000	\$1,281,665,000			\$1,274,175,000	(\$51,242,775)	(\$36,012,605)	-2.810%	\$74,542,371
Issues 3 Only			\$300,000,000		\$225,000,000	\$150,000,000			\$151,725,000	\$7,613,042	\$6,576,914	4.385%	\$8,337,556

* Subject to change, based on current market conditions.

Prepared by: Public Advisory Consultants, Inc.

Date: July 13, 2016





WASHINGTON SUBURBAN SANITARY COMMISSION

COMMISSION SUMMARY

AGENDA CATEGORY: Finance

ITEM NUMBER:

DATE: September 21, 2016

SUBJECT	Vote – Bond Refunding Plan
SUMMARY	A Bond Refunding Plan has been prepared by our financial advisor and is proposed for adoption. This Plan will provide the Commission with the opportunity to realize debt service savings resulting from a bond refunding.
SPECIAL COMMENTS	
CONTRACT NO./ REFERENCE NO.	
COSTS	Potential savings of approximately \$6.6 million. Estimated cost of issuance is \$300,000.
AMENDMENT/ CHANGE ORDER NO. AMOUNT	
MBE PARTICIPATION	
PRIOR STAFF/ COMMITTEE REVIEW	Carla A. Reid, General Manager/CEO  Joseph F. Beach, Chief Financial Officer 
PRIOR STAFF/ COMMITTEE APPROVALS	
RECOMMENDATION TO COMMISSION	Approve Refunding Plan Approve transmittal of Refunding Plan to Prince George's County and Montgomery County Executives and County Councils.
COMMISSION ACTION	<i>Approved Unanimously 6-0.</i> 