






Washington Suburban Sanitary Commission

Interoffice Memorandum

TO: THE COMMISSION

THRU: JERRY N. JOHNSON
GENERAL MANAGER/CEO 

THRU: YVETTE DOWNS
CHIEF FINANCIAL OFFICER 

FROM: J.D. NOELL
DISBURSEMENTS GROUP LEADER 

DATE: JUNE 3, 2015

SUBJECT: BOND REFUNDING PLAN

Every year our financial advisor, Public Advisory Consultants, 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 ten bond issues (Issues 1-10 on the chart) that would result in debt service savings of approximately \$11.7 million or a net present value percent savings of 6%. The Plan identifies seven 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.

May 12, 2015

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 are seven bond issues that can be refunded for savings at this time and an additional three bond issues that can be refunded for savings beginning March 3, 2016. All numbers are based on current market conditions and subject to change.

The following bonds could be refunded for savings now: General Construction Bonds of 2004, General Construction Refunding Bonds of 2005, Water Supply Refunding Bonds of 2005, and Sewage Disposal Refunding Bonds of 2005, Water Supply Bonds of 2007, Sewage Disposal Bonds of 2007, and Consolidated Public Improvement Bonds of 2009.

The seven bond series listed above exhibit net present value percent savings of greater than 5% combined. By refunding these seven bond issues, approximately \$9.0 million in NPV savings and \$10.2 million in gross savings can be realized through the issuance of \$155.4 million in tax-exempt refunding bonds to refinance \$154.0 million, the callable components of \$202.6 million in outstanding debt.

Beginning in March 2016, the following bonds can also be refunded for savings if the market rates allow at the time: Water Supply Refunding Bonds of 2006, Sewage Disposal Refunding Bonds of 2006, and General Construction Refunding Bonds of 2006. The reason that the 2006 Bonds cannot be refunded prior to March 3, 2016 is that they were originally issued as advanced refunding bonds and as such they are only eligible for a current refunding. Current refundings can occur up to 90 days before the call date, which in the case of the 2006 Bonds is June 1, 2016. Based on current markets rates, by refunding these bond issues, approximately \$2.8 million in NPV savings and \$3.1 million in gross savings can be realized through the issuance of \$41.1 million in tax-exempt refunding bonds to refinance \$41.9 million, the callable components of \$57.7 million in outstanding debt. We are including these bond series now because even though they cannot be advanced refunded, WSSC could consider a forward delivery refunding. A forward delivery would lock in rates now although it does come with a premium. For every month before the call date the forward delivery refunding is done, it would cost about 5 basis points in the current market. This could still be attractive if WSSC believes rates would rise before March 2016.

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We have also reviewed the outstanding Build America Bonds, Series 2009B, Build America Bonds, Series 2010B, Consolidated Public Improvement Bonds of 2011, Consolidated Public Improvement Bonds of 2012, Consolidated Public Improvement Bonds of 2013, Consolidated Public Improvement Bonds of 2014 and Consolidated Public Improvement Bonds (Second Series) for refinancing suitability. All series exhibit negative savings at this time.

We will continue to monitor the market for refunding opportunities. If rates were to rise, some of these refunding bond opportunities may go away.

Major Assumptions and Methodology

- Tax-exempt refunding bond rates as of mid-May 2015.
- All eligible outstanding bonds called on earliest date.
- Escrow investments based on estimated SLGS rates as of May 2015. The SLGS window is currently closed and open market securities would need to be bid. Open market securities generally provide slightly higher reinvest rates than SLGS.
- Issuance Costs estimated at \$2/\$1,000 in bonds and underwriter's discount estimated at \$6/\$1,000 in bonds.
- Refunding bonds structured to achieve debt service savings within each year.
- 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

May-15
 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 *
1	2/1/2004	6/1/2028	\$7,000,000	General Construction Bonds of 2004	\$5,075,000	\$4,815,000	4.25%	Immediate	\$4,610,000	\$624,818	\$31,844	11.046%
2	3/15/2005	6/1/2024	\$35,840,000	General Construction Refunding Bonds of 2005	\$26,750,000	\$24,480,000	5.00%	Immediate	\$23,275,000	\$3,558,480	\$3,255,182	13.297%
3	3/15/2005	6/1/2017	\$20,990,000	Water Supply Refunding Bonds of 2005	\$6,980,000	\$4,650,000	5.00%	Immediate	\$4,615,000	\$204,505	\$202,221	4.349%
4	3/15/2005	6/1/2017	\$5,680,000	Sewage Disposal Refunding Bonds of 2005	\$1,890,000	\$1,260,000	5.00%	Immediate	\$1,255,000	\$50,675	\$4,802	4.349%
5	10/15/2006	6/1/2020	\$31,040,000	Water Supply Refunding Bonds of 2006	\$18,440,000	\$10,370,000	4.05%	3/3/2016	\$10,355,000	\$395,267	\$382,275	3.686%
6	10/15/2006	6/1/2020	\$9,755,000	Sewage Disposal Refunding Bonds of 2006	\$3,755,000	\$3,200,000	4.05%	3/3/2016	\$3,200,000	\$115,933	\$115,697	3.616%
7	10/15/2006	6/1/2025	\$41,490,000	General Construction Refunding Bonds of 2006	\$33,455,000	\$28,410,000	4.16%	3/3/2016	\$27,555,000	\$2,562,827	\$2,305,544	8.115%
8	4/15/2007	6/1/2027	\$50,000,000	Water Supply Bonds of 2007	\$32,500,000	\$25,000,000	4.15%	Immediate	\$23,260,000	\$1,487,148	\$1,297,811	5.197%
9	4/15/2007	6/1/2027	\$20,000,000	Sewage Disposal Bonds of 2007	\$13,000,000	\$10,000,000	4.15%	Immediate	\$10,105,000	\$593,715	\$515,707	5.157%
10	1/15/2009	6/1/2028	\$165,000,000	Consolidated Public Improvement Bonds of 2009	\$116,425,000	\$83,805,000	4.28%	Immediate	\$86,235,000	\$3,655,688	\$3,108,476	3.709%
11	10/8/2009	6/1/2029	\$90,000,000	Build America Bonds, Series 2009B	\$90,000,000	\$90,000,000	3.02%	Immediate	\$96,085,000	(\$8,805,808)	(\$7,751,624)	-8.613%
12	9/29/2010	6/1/2030	\$120,000,000	Build America Bonds, Series 2010B	\$120,000,000	\$120,000,000	2.75%	Immediate	\$127,610,000	(\$16,744,209)	(\$14,163,380)	-11.803%
13	11/16/2011	6/1/2031	\$300,000,000	Consolidated Public Improvement Bonds of 2011	\$255,000,000	\$150,000,000	3.90%	Immediate	\$156,470,000	(\$7,393,510)	(\$4,855,499)	-3.237%
14	11/15/2012	6/1/2032	\$250,000,000	Consolidated Public Improvement Bonds of 2012	\$225,000,000	\$125,000,000	3.34%	Immediate	\$126,115,000	(\$13,981,329)	(\$9,820,960)	-7.857%
15	4/25/2013	6/1/2032	\$150,000,000	Consolidated Public Improvement Bonds of 2013	\$135,000,000	\$67,500,000	4.22%	Immediate	\$73,230,000	(\$5,363,557)	(\$3,433,985)	-5.087%
16	4/29/2014	6/1/2044	\$150,000,000	Consolidated Public Improvement Bonds of 2014	\$150,000,000	\$105,000,000	4.12%	Immediate	\$114,885,000	(\$12,961,311)	(\$7,960,538)	-7.581%
17	12/2/2014	6/1/2044	\$250,000,000	Consolidated Public Improvement Bonds of 2014 (Second Series)	\$250,000,000	\$192,690,000	4.06%	Immediate	\$213,170,000	(\$28,801,231)	(\$17,706,898)	-9.189%
Total			\$1,696,795,000		\$1,485,270,000	\$1,046,180,000			\$1,104,030,000	(\$80,801,899)	(\$53,923,325)	-5.154%
Issues 1-4 and 8-10 Only			\$304,510,000		\$202,620,000	\$154,010,000			\$155,355,000	\$10,175,029	\$8,966,043	5.822%
Issues 1-10 Only			\$386,795,000		\$260,270,000	\$195,990,000			\$196,465,000	\$13,249,056	\$11,769,559	6.005%
Issues 5-7 Only			\$82,285,000		\$57,650,000	\$41,980,000			\$41,110,000	\$3,074,027	\$2,803,516	6.678%

* Subject to change, based on current market conditions

Prepared by: Public Advisory Consultants, Inc

Date: May 12, 2015