



Washington Suburban Sanitary Commission

Debt Refunding Plan

July 2, 2019



Washington Suburban Sanitary Commission

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1. Executive Summary

The Washington Suburban Sanitary Commission (WSSC) has 17 outstanding series of long-term fixed rate bonds (not including MWQFA loans and prerefunded CPI bonds). As financial advisor to WSSC, Wye River Group monitors market conditions and WSSC's outstanding debt obligations routinely for opportunities to refinance such debt for interest cost savings.

As the present time and for the next 12 months, the only outstanding Series of WSSC Bonds which represents a potential candidate for refinancing for interest cost savings is the Build America Bonds of 2010B (the "BABs"). A more detailed discussion of this refinancing opportunity is provided below.

The elimination at the end of 2017 of tax-exempt advance refundings under Federal tax law may limit WSSC's flexibility in the future to refinance select series of bonds assuming continued low interest rates. However, the "current" tax exempt refunding approach which WSSC has used in the past continues to be permissible and other creative refinancing alternatives are emerging in response to the change in tax law which may warrant consideration in the future.

2. Refunding Feasibility Assessment

WSSC has routinely refinanced outstanding series of bonds to achieve interest cost savings, primarily through advance refundings. Although advance refundings with the proceeds of tax-exempt bonds are no longer permissible, Wye River Group continues to monitor WSSC's outstanding debt for interest cost savings opportunities using other, still-permitted, refunding approaches. Attached as Exhibit A is a chart that summarizes WSSC's outstanding bonds with relevant details including coupon rates and earliest optimal redemption dates. Wye River has examined all these outstanding issues for refinancing opportunities. The only series which presents a refinancing opportunity for the next 12-months is the Series 2010B BABs issue.

Under current market conditions, a current refunding of the BABs would produce approximately 6.3% net present value (NPV) savings. The following is a more detailed summary of the results of such a current refunding:

<u>Issue Description</u>	<u>Earliest Possible Issuance Date</u>	<u>First Call Date</u>	<u>Outstanding Principal Amount</u>	<u>Gross Savings</u>	<u>NPV Savings</u>	<u>NPV Savings as % of Refunded Principal</u>
Current Refunding of Series 2010B BABs	3/1/2020	6/1/2020	\$120,000,000	\$8,231,175	\$7,536,584	6.28%

It is important to note however that the earliest that such a current refunding could be conducted is March of 2020 with a closing within 90 days of that Series' earliest call date (June 1, 2020) in order to comply with current refunding legal requirements. Because March 1, 2020 is only 8 months away, and the near term trend indicates stable to declining interest rates, WSSC's prospects for successfully completing such a current refunding in March 2020 or soon thereafter are good.

The following are the key assumptions in our analysis of the current refunding alternative:

- Tax-exempt refunding bonds issued on March 1, 2020

- Interest rates and bond market conditions as of June 25, 2019
- The BABs called on the earliest optional redemption date
- Costs of issuance estimated at the lesser of (A) 2% of the principal amount of the refunding bond issue, and (B) \$200,000, plus \$1.25/bond for underwriter's discount
- Term of the refunding matches the term of the bonds being refunded and the refunding bond amortization is structured to produce uniform annual savings
- Bond proceeds invested until the first call date (June 1, 2020) in U.S. Treasuries at yields based on market conditions as of June 25, 2019
- Federal subsidy equal to 35% of interest on BABs assumed for purposes of calculating debt service savings

None of the other outstanding issues of WSSC Bonds represent near-term refunding candidates. The next likely candidate will be the Series 2012 Bonds as its earliest optional call date of June 1, 2022 draws closer.

3. Summary

At current market interest rate levels, the only outstanding series of WSSC bonds that represents a legally permissible and potentially feasible refunding candidate (i.e. over 3% NPV savings) is the Series 2010B BABs. For the reasons described above, such a current refunding of the BABs can be deployed anytime on or after March 1, 2020. Wye River Group will continue to monitor the market and other outstanding WSSC bonds for refunding feasibility and apprise WSSC as and when viable refinancing opportunities arise.

Exhibit A

Washington Suburban Sanitary Commission
Summary of Outstanding CPI Bonds
As of June 30, 2019

Bond Series	Original Principal	Final Maturity	Outstanding Principal as of 6/30/19	Interest Rate Range	Earliest Optional Call Date
2010A	\$120,000,000	6/1/2020	\$ 12,000,000	4.00%	Non-Callable
2010B BABs	120,000,000	6/1/2030	120,000,000	3.55% – 4.85%	6/1/2020
2012	250,000,000	6/1/2032	162,500,000	3.00% – 5.00%	6/1/2022
2013 Refunding	101,560,000	6/1/2026	37,410,000	2.00% – 5.00%	6/1/2023
2014	150,000,000	6/1/2044	125,000,000	4.00% – 5.00%	6/1/2024
2014 Refunding	37,810,000	6/1/2022	11,700,000	5.00%	Non-Callable
2014 (2nd Series)	250,000,000	6/1/2044	221,490,000	4.00% – 5.00%	6/1/2024
2015	390,000,000	6/1/2045	362,045,000	3.00% – 5.00%	6/1/2024
2015 Refunding	145,325,000	6/1/2028	125,315,000	2.65% – 5.00%	6/1/2024
2016	145,000,000	6/1/2046	136,865,000	3.00% – 5.00%	6/1/2026
2016 Refunding	36,440,000	6/1/2025	21,345,000	4.00% – 5.00%	Non-Callable
2016 (2nd Series)	381,810,000	6/1/2046	362,345,000	3.00% – 5.00%	6/1/2026
2017	459,250,000	6/15/2047	445,765,000	3.00% – 5.00%	6/15/2027
2017 Refunding	220,180,000	6/1/2032	216,835,000	3.00% – 5.00%	6/1/2027
2017 Refunding (2nd Series)	79,075,000	6/1/2029	79,075,000	5.00%	6/1/2027
2018	390,000,000	6/1/2048	383,000,000	4.00% - 5.00%	6/1/2028
2019 Refunding	39,340,000	6/1/2029	39,340,000	2.00% – 5.00%	Non-Callable
TOTAL	\$3,315,790,000		\$2,862,030,000		