

Legislation Text

File #: 19-4479, **Version:** 1

An ordinance providing for the issuance of City of Mesquite, Texas, Waterworks and Sewer System Revenue Refunding Bonds, Series 2019A in the aggregate principal amount not to exceed \$9,500,000; approving an official statement; a purchase agreement and an escrow agreement; awarding the sale of the bonds; making provisions for the security thereof; providing an effective date; approving and enacting other provisions relating thereto.

The attached ordinance authorizes Council to delegate the approval of the sale of Waterworks and Sewer System Revenue Refunding Bonds to certain Pricing Officers, subject to all bond sale parameters being met. The City regularly monitors current outstanding bonds for potential refunding opportunities that can generate savings in total debt service costs. The debt service savings are the result of lower interest rates being available in the current bond market when outstanding bonds are eligible for refunding. The term of the new bonds issued to refund the existing bonds cannot exceed the life of the original bonds.

In the past, the City included refunding of bonds with the annual bond sale for new capital project funding. This typically resulted in advance refunding the outstanding bonds. Passage of the tax reform bill in December 2017 eliminated state and local governments' ability to use tax-exempt bonds to advance refund outstanding bonds, as of January 1, 2018. All tax-exempt refundings must now be current and based on the first eligible call date. In an advance refunding, the issuer sells new bonds and places the proceeds into an escrow account to pay off the original bonds at a later date. A current refunding is a transaction in which the outstanding bonds to be refunded are called and paid off within 90 days of the date of issuance of the refunding bonds. The 90-day pay-off requirement may cause the timing of the City's refundings to occur in other times of the year than the normal bond issuance process.

Typically when the City sells debt, the bonds are priced in the morning and then Council approves the bond sale that night at their meeting. The parameter ordinance allows the City maximum flexibility, as the sale of the refunding bonds can occur at any point (i.e. not locked into pricing only on a Council meeting day) after passage of the ordinance subject to each Council-approved parameter being met or exceeded.

Recommended/Desired Action

Staff recommends approval of the ordinance.

Attachment(s)

Ordinance

Drafter

Debbie Mol

Head of Department

Debbie Mol