



MEMORANDUM

Council Agenda
Item No. X. J
6/21/2022

The City of OKLAHOMA CITY

TO: Mayor and City Council

FROM: Craig Freeman, City Manager

Concurrence with the Oklahoma City Water Utilities Trust in adopting a Resolution authorizing the General Manager, or designee, to proceed with the refunding of certain outstanding revenue bonds of the Oklahoma City Water Utilities Trust, including preparation of a preliminary official statement and solicitation of ratings; authorizing the General Manager, or designee, to distribute a solicitation of underwriters from the pool of prequalified underwriters for the issuance of Utility System Revenue Refunding bonds; authorizing the General Manager, or designee, to approve, ratify, and affirm professional services agreements related to bond and financing professionals; and containing other provisions related thereto.

Background:

The Oklahoma City Water Utilities Trust (OCWUT) is tasked with operating, maintaining, and improving the water, wastewater, and solid waste management systems to support the current service needs and future growth of Oklahoma City and surrounding areas. OCWUT's long-term capital plan forecasts approximately \$3.3 billion in improvements over the ten-year period (2023-2032). These improvements are funded with a blend of pay-as-you-go and debt-funded proceeds. The long-term financial plan forecasts that OCWUT will issue \$2 billion in debt financing through 30-year revenue bonds and Oklahoma Water Resources Board State Revolving Fund (SRF) loans. The current bond indenture requires OCWUT to fund a Debt Service Reserve Fund (DSRF) with each revenue bond issuance, which is typically 10 percent of the principal amount, which remains for the life of the bond at the Trustee bank. Highest-rated issuers have migrated towards removing the required DSRF, allowing for more capital investments. OCWUT has maintained the highest ratings, by Standard & Poor's and Moody's Investors Service, attributed to its strong financial and operational management, role as a regional provider, and City Council support for multi-year rate adjustments.

Public Financial Advisors LLC (PFM), OCWUT's financial advisor, presented an opportunity to issue a taxable refunding of the 2013, 2015, and 2016 series revenue bonds, which would allow OCWUT to modify its bond indenture with an optional DSRF. Based on the financial analysis provided by PFM, the proposed transaction would lower future debt service by \$44 million over the next 10 years in projected bond issuances without the DSRF. Furthermore, the refunding transaction is anticipated to provide cash flow savings of \$32.9 million over the next 25 years. This proposed transaction along with several financial refunding transactions over the past couple of years will provide nearly \$100 million in future debt service savings.

The attached Resolution was prepared by Bond Counsel to authorize the preparation of the preliminary official statement, the solicitation of ratings, the solicitation of underwriter(s), and affirm professional services.

Review:

Utilities Department

Recommendation: Concur with the Oklahoma City Water Utilities Trust in adopting the Resolution.