

# Stillwater Utilities Authority Utility System and Sales Tax Revenue Bonds, Series 2014A Refunding Assessment

## Overview

In October 2014, The Stillwater Utilities Authority issued \$61,830,000 of tax-exempt Utility System and Sales Tax Revenue Bonds, Series 2014A. As of January 2022, roughly \$54 million of this debt remains outstanding.

Interest rates have fallen since the bonds were issued, creating an opportunity to refund some portion of the outstanding debt and reducing the overall interest expenses for the Utility Authority.

## The Current Bonds

### Utility System and Sales Tax Revenue Bonds, Series 2014A

Maturity	Amount	Coupon	Yield	CUSIP	Post-Refunding Status
10/01/2017	\$1,295,000	3.000%	0.760%	860820CW7	Matured
10/01/2018	\$1,330,000	4.000%	1.080%	860820CX5	Matured
10/01/2019	\$1,385,000	4.000%	1.430%	860820CY3	Matured
10/01/2020	\$1,440,000	5.000%	1.720%	860820CZ0	Matured
10/01/2021	\$1,510,000	5.000%	1.970%	860820DA4	Matured
10/01/2022	\$1,590,000	5.000%	2.230%	860820DB2	Outstanding
10/01/2023	\$1,665,000	4.000%	2.400%	860820DC0	Outstanding
10/01/2024	\$1,735,000	5.000%	2.580%	860820DD8	Outstanding
10/01/2025	\$1,820,000	5.000%	2.740%	860820DE6	Outstanding
10/01/2026	\$1,910,000	5.000%	2.870%	860820DF3	Outstanding
10/01/2027	\$2,005,000	3.000%	3.220%	860820DG1	Outstanding
10/01/2028	\$2,065,000	5.000%	3.040%	860820DH9	Refunded
10/01/2029	\$2,170,000	5.000%	3.150%	860820DJ5	Refunded
10/01/2030	\$2,280,000	5.000%	3.250%	860820DK2	Refunded
10/01/2031	\$2,395,000	4.000%	3.600%	860820DL0	Refunded
10/01/2032	\$2,490,000	5.000%	3.390%	860820DM8	Refunded
10/01/2033	\$2,615,000	5.000%	3.450%	860820DN6	Refunded
10/01/2034	\$2,745,000	5.000%	3.500%	860820DP1	Refunded
10/01/2039	\$15,915,000	5.000%	3.620%	860820DQ9	Refunded
10/01/2042	\$11,470,000	4.000%	4.000%	860820DR7	Outstanding
	\$61,830,000				

## Advanced Refunding

The first call date on the 2014A bonds is 10/1/2024. Since the call date is more than 90 days away, the refunding would be considered an advanced refunding.



image source: GFOA

Since January 2018, advanced refundings are not permitted on a tax-exempt basis. As such, we are looking at refunding the 2014A bonds with a 2022 taxable issue.

Our analysis shows that refunding the just the 2028-2039 maturities, approximately \$32.6 million of the outstanding debt, with taxable debt, will result in approximately \$1.8 million in savings to the Stillwater Utility Authority.

Refunded 2014A Debt				New 2022 Debt			
Maturity	Amount	Coupon	Yield	Maturity	Amount	Coupon	Yield
				10/01/2025	\$490,000	1.550%	1.550%
				10/01/2026	\$495,000	1.810%	1.810%
				10/01/2027	\$505,000	2.008%	2.008%
10/01/2028	\$2,065,000	5.000%	3.040%	10/01/2028	\$2,580,000	2.159%	2.159%
10/01/2029	\$2,170,000	5.000%	3.150%	10/01/2029	\$2,635,000	2.235%	2.235%
10/01/2030	\$2,280,000	5.000%	3.250%	10/01/2030	\$2,695,000	2.330%	2.330%
10/01/2031	\$2,395,000	4.000%	3.600%	10/01/2031	\$2,760,000	2.480%	2.480%
10/01/2032	\$2,490,000	5.000%	3.390%	10/01/2032	\$2,830,000	2.580%	2.580%
10/01/2033	\$2,615,000	5.000%	3.450%	10/01/2033	\$2,905,000	2.620%	2.620%
10/01/2034	\$2,745,000	5.000%	3.500%	10/01/2034	\$2,980,000	2.720%	2.720%
				10/01/2035	\$3,055,000	2.820%	2.820%
				10/01/2036	\$3,145,000	2.950%	2.950%
				10/01/2037	\$3,235,000	3.000%	3.000%
				10/01/2038	\$3,335,000	3.050%	3.050%
10/01/2039	\$15,915,000	5.000%	3.620%	10/01/2039	\$3,435,000	3.073%	3.073%
	\$32,675,000				\$37,080,000		

## Advanced Refunding Process

In an advanced refunding, the proceeds from the new debt issuance are deposited into an escrow account and those monies are used to refund the outstanding debt at the first call date. Securities are purchased in the escrow account to offset some portion of the interest expense on the outstanding debt.

Since the rates on potential escrow investments are lower than the interest rate on the escrowed debt, the escrow account will have 'negative arbitrage' or a short fall. This is accounted for in the analysis.

## Summary of Refunding Analysis

Old Total Debt Service	\$81,377,200.00
New Debt Service	<u>\$77,061,099.88</u>
Debt Service Savings	\$4,316,100.12
Gross Present Value of DS Savings	\$3,784,004.29
Present Benefit of DS Savings:	
Refunded Principal \$32,675,000	11.583%
Refunding Principal \$37,080,000	10.207%
Negative Arbitrage	-\$1,410,899.92
Estimated Issuance Costs	\$562,720.00
<b>Adjusted Estimated Savings</b>	<b>\$1,810,384.37</b>
Final Net Present Benefit on:	
Refunded Principal \$32,675,000	5.541%
Refunding Principal \$37,080,000	4.882%

## Notes

- This analysis assumes AA- rating.
- Some costs of issuance are estimated.
- We ran multiple scenarios; we show the scenario presented generates the most savings to the issuer.
- Rates have been moving higher since our initial discussions. We have priced this based on current market rates.
- We maintain the flexibility to do nothing if rates continue to move against us.
- RFQs for potential underwriters were sent to 16 firms. We anticipate a strong response.
- Baker's fee is priced at \$4.50 per bond - \$20,000

## Conclusion

At roughly 5% savings, this refunding still makes sense. We will fine tune numbers as RFQ responses come in and as rates move. We can get everything approved and then make decisions on timing.

## The Calculations

### City of Stillwater

(Utilities Authority)

\$37,080,000

### Sources & Uses

Dated 03/01/2022 | Delivered 03/01/2022

#### Sources Of Funds

Par Amount of Bonds	\$37,080,000.00
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<b>Total Sources</b>	<b>\$37,080,000.00</b>
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#### Uses Of Funds

Total Underwriter's Discount (0.927%)	343,720.00
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Costs of Issuance	219,000.00
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Deposit to Net Cash Escrow Fund	36,516,433.37
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Rounding Amount	846.63
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<b>Total Uses</b>	<b>\$37,080,000.00</b>
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## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
10/01/2022	-	-	575,146.48	575,146.48
10/01/2023	-	-	985,965.40	985,965.40
10/01/2024	-	-	985,965.40	985,965.40
10/01/2025	490,000.00	1.550%	985,965.40	1,475,965.40
10/01/2026	495,000.00	1.810%	978,370.40	1,473,370.40
10/01/2027	505,000.00	2.008%	969,410.90	1,474,410.90
10/01/2028	2,580,000.00	2.159%	959,270.50	3,539,270.50
10/01/2029	2,635,000.00	2.235%	903,568.30	3,538,568.30
10/01/2030	2,695,000.00	2.330%	844,676.06	3,539,676.06
10/01/2031	2,760,000.00	2.480%	781,882.56	3,541,882.56
10/01/2032	2,830,000.00	2.580%	713,434.56	3,543,434.56
10/01/2033	2,905,000.00	2.620%	640,420.56	3,545,420.56
10/01/2034	2,980,000.00	2.720%	564,309.56	3,544,309.56
10/01/2035	3,055,000.00	2.820%	483,253.56	3,538,253.56
10/01/2036	3,145,000.00	2.950%	397,102.56	3,542,102.56
10/01/2037	3,235,000.00	3.000%	304,325.06	3,539,325.06
10/01/2038	3,335,000.00	3.050%	207,275.06	3,542,275.06
10/01/2039	3,435,000.00	3.073%	105,557.56	3,540,557.56
<b>Total</b>	<b>\$37,080,000.00</b>	<b>-</b>	<b>\$12,385,899.88</b>	<b>\$49,465,899.88</b>

### Yield Statistics

Bond Year Dollars	\$447,970.00
Average Life	12.081 Years
Average Coupon	2.7648949%
Net Interest Cost (NIC)	2.8416233%
True Interest Cost (TIC)	2.8437290%
Bond Yield for Arbitrage Purposes	2.7516833%
All Inclusive Cost (AIC)	2.9029361%

### IRS Form 8038

Net Interest Cost	2.7648949%
Weighted Average Maturity	12.081 Years

## Debt Service Comparison

Date	Total P+I	Existing D/S	Net New D/S	Old Net D/S	Savings
10/01/2022	575,146.48	705,450.00	1,280,596.48	2,315,250.00	1,034,653.52
10/01/2023	985,965.40	705,450.00	1,691,415.40	2,315,250.00	623,834.60
10/01/2024	985,965.40	705,450.00	1,691,415.40	2,315,250.00	623,834.60
10/01/2025	1,475,965.40	2,525,450.00	4,001,415.40	4,135,250.00	133,834.60
10/01/2026	1,473,370.40	2,524,450.00	3,997,820.40	4,134,250.00	136,429.60
10/01/2027	1,474,410.90	2,523,950.00	3,998,360.90	4,133,750.00	135,389.10
10/01/2028	3,539,270.50	458,800.00	3,998,070.50	4,133,600.00	135,529.50
10/01/2029	3,538,568.30	458,800.00	3,997,368.30	4,133,350.00	137,981.70
10/01/2030	3,539,676.06	458,800.00	3,998,476.06	4,136,850.00	138,373.94
10/01/2031	3,541,882.56	458,800.00	4,000,682.56	4,137,850.00	137,167.44
10/01/2032	3,543,434.56	458,800.00	4,002,234.56	4,137,050.00	134,815.44
10/01/2033	3,545,420.56	458,800.00	4,004,220.56	4,137,550.00	133,329.44
10/01/2034	3,544,309.56	458,800.00	4,003,109.56	4,136,800.00	133,690.44
10/01/2035	3,538,253.56	458,800.00	3,997,053.56	4,134,550.00	137,496.44
10/01/2036	3,542,102.56	458,800.00	4,000,902.56	4,135,550.00	134,647.44
10/01/2037	3,539,325.06	458,800.00	3,998,125.06	4,134,300.00	136,174.94
10/01/2038	3,542,275.06	458,800.00	4,001,075.06	4,135,550.00	134,474.94
10/01/2039	3,540,557.56	458,800.00	3,999,357.56	4,133,800.00	134,442.44
10/01/2040	-	4,133,800.00	4,133,800.00	4,133,800.00	-
10/01/2041	-	4,136,800.00	4,136,800.00	4,136,800.00	-
10/01/2042	-	4,128,800.00	4,128,800.00	4,128,800.00	-
<b>Total</b>	<b>\$49,465,899.88</b>	<b>\$27,595,200.00</b>	<b>\$77,061,099.88</b>	<b>\$81,377,200.00</b>	<b>\$4,316,100.12</b>

### PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	3,784,004.29
Net PV Cashflow Savings @ 2.752%(Bond Yield)	3,784,004.29
Contingency or Rounding Amount	846.63
Net Present Value Benefit	\$3,784,850.92
Net PV Benefit / \$32,675,000 Refunded Principal	11.583%
Net PV Benefit / \$37,080,000 Refunding Principal	10.207%

### Refunding Bond Information

Refunding Dated Date	3/01/2022
Refunding Delivery Date	3/01/2022

## Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
10/01/2025	Serial Coupon	1.550%	1.550%	490,000.00	100.000%	490,000.00
10/01/2026	Serial Coupon	1.810%	1.810%	495,000.00	100.000%	495,000.00
10/01/2027	Serial Coupon	2.008%	2.008%	505,000.00	100.000%	505,000.00
10/01/2028	Serial Coupon	2.159%	2.159%	2,580,000.00	100.000%	2,580,000.00
10/01/2029	Serial Coupon	2.235%	2.235%	2,635,000.00	100.000%	2,635,000.00
10/01/2030	Serial Coupon	2.330%	2.330%	2,695,000.00	100.000%	2,695,000.00
10/01/2031	Serial Coupon	2.480%	2.480%	2,760,000.00	100.000%	2,760,000.00
10/01/2032	Serial Coupon	2.580%	2.580%	2,830,000.00	100.000%	2,830,000.00
10/01/2033	Serial Coupon	2.620%	2.620%	2,905,000.00	100.000%	2,905,000.00
10/01/2034	Serial Coupon	2.720%	2.720%	2,980,000.00	100.000%	2,980,000.00
10/01/2035	Serial Coupon	2.820%	2.820%	3,055,000.00	100.000%	3,055,000.00
10/01/2036	Serial Coupon	2.950%	2.950%	3,145,000.00	100.000%	3,145,000.00
10/01/2037	Serial Coupon	3.000%	3.000%	3,235,000.00	100.000%	3,235,000.00
10/01/2038	Serial Coupon	3.050%	3.050%	3,335,000.00	100.000%	3,335,000.00
10/01/2039	Serial Coupon	3.073%	3.073%	3,435,000.00	100.000%	3,435,000.00
<b>Total</b>	-	-	-	<b>\$37,080,000.00</b>	-	<b>\$37,080,000.00</b>

### Bid Information

Par Amount of Bonds	\$37,080,000.00
Gross Production	\$37,080,000.00
Total Underwriter's Discount (0.927%)	\$(343,720.00)
Bid (99.073%)	36,736,280.00
Total Purchase Price	\$36,736,280.00
Bond Year Dollars	\$447,970.00
Average Life	12.081 Years
Average Coupon	2.7648949%
Net Interest Cost (NIC)	2.8416233%
True Interest Cost (TIC)	2.8437290%

## Escrow Fund Cashflow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
03/01/2022	-	-	-	0.37	-	0.37
04/01/2022	771,974.00	0.030%	32,926.64	804,900.64	804,900.00	1.01
10/01/2022	610,594.00	0.310%	194,305.70	804,899.70	804,900.00	0.71
04/01/2023	611,704.00	0.490%	193,195.93	804,899.93	804,900.00	0.64
10/01/2023	613,203.00	0.750%	191,697.26	804,900.26	804,900.00	0.90
04/01/2024	615,502.00	0.960%	189,397.75	804,899.75	804,900.00	0.65
10/01/2024	33,293,456.00	1.120%	186,443.35	33,479,899.35	33,479,900.00	-
<b>Total</b>	<b>\$36,516,433.00</b>	<b>-</b>	<b>\$987,966.63</b>	<b>\$37,504,400.00</b>	<b>\$37,504,400.00</b>	<b>-</b>

### Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Bond Yield
Cash Deposit	0.37
Cost of Investments Purchased with Bond Proceeds	36,516,433.00
Total Cost of Investments	\$36,516,433.37
Target Cost of Investments at bond yield	\$35,105,533.45
Actual positive or (negative) arbitrage	(1,410,899.92)
Yield to Receipt	1.1057805%
Yield for Arbitrage Purposes	2.7516833%
State and Local Government Series (SLGS) rates for	1/11/2022

## Refunding Summary

Dated 03/01/2022 | Delivered 03/01/2022

### Sources Of Funds

Par Amount of Bonds	\$37,080,000.00
<b>Total Sources</b>	<b>\$37,080,000.00</b>

### Uses Of Funds

Total Underwriter's Discount (0.927%)	343,720.00
Costs of Issuance	219,000.00
Deposit to Net Cash Escrow Fund	36,516,433.37
Rounding Amount	846.63
<b>Total Uses</b>	<b>\$37,080,000.00</b>

### Flow of Funds Detail

State and Local Government Series (SLGS) rates for Date of OMP Candidates	1/11/2022
Net Cash Escrow Fund Solution Method	Net Funded
Total Cost of Investments	\$36,516,433.37
Interest Earnings @ 1.106%	987,966.63
Total Draws	\$37,504,400.00

### Issues Refunded And Call Dates

Utility System and Sales Tax Rev Bds Ser 2014A	10/01/2024
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### PV Analysis Summary (Net to Net)

Net PV Cashflow Savings @ 2.752%(Bond Yield)	3,784,004.29
Contingency or Rounding Amount	846.63
Net Present Value Benefit	\$3,784,850.92
Net PV Benefit / Refunded Principal	11.583%
Net PV Benefit / Refunding Principal	10.207%
Average Annual Cash Flow Savings	239,783.34
Total New Net D/S	77,061,099.88
Total Prior D/S	81,377,200.00
Total Cashflow Savings	4,316,100.12

### Bond Statistics

Average Life	12.081 Years
Average Coupon	2.7648949%
Net Interest Cost (NIC)	2.8416233%
Bond Yield for Arbitrage Purposes	2.7516833%
True Interest Cost (TIC)	2.8437290%
All Inclusive Cost (AIC)	2.9029361%

## Refunding Summary Statistics

Dated 03/01/2022 | Delivered 03/01/2022

Par Amount of Bonds	\$37,080,000.00
Net Present Value Benefit	\$3,784,850.92
Net PV Benefit / \$32,675,000 Refunded Principal	11.583%
Principal Amount of Refunded Bonds	32,675,000.00
Net Interest Cost (NIC)	2.8416233%
Refunding Bonds Final Maturity Date	10/01/2042
Refunded Bonds Final Maturity Date	10/01/2039
Total Net New D/S	77,061,099.88
Average Annual Net New D/S	3,669,576.18
Total Old Net D/S	81,377,200.00
Average Annual Old Net D/S	3,875,104.76
Total Gross Savings	4,316,100.12
Average Annual Gross Savings	205,528.58
Principal Amount of Refunded Bonds	32,675,000.00
Average Refunded Coupon	4.9444684%

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## Expected Cost of Issuance

Dated 03/01/2022 | Delivered 03/01/2022

### Sources Of Funds

Par Amount of Bonds	\$37,080,000.00
<b>Total Sources</b>	<b>\$37,080,000.00</b>

### Uses Of Funds

Total Management Fees	37,080.00
Total Average Takedown	296,640.00
Miscellaneous	10,000.00
Financial Advisor	146,000.00
Bond Counsel	10,000.00
Trustee Origination	10,000.00
Rating Agency Fee	48,000.00
Miscellaneous	5,000.00
Deposit to Net Cash Escrow Fund	36,516,433.37
Rounding Amount	846.63
<b>Total Uses</b>	<b>\$37,080,000.00</b>