

# Washington Suburban Sanitary Commission

## COMMISSION SUMMARY

**AGENDA CATEGORY:** Rate Stabilization and Debt Reduction Team

**ITEM NUMBER:** 1

**DATE:** September 29, 2004

<b>SUBJECT</b>	<b>Bond Refunding Plan</b>
<b>SUMMARY</b>	<b>A Bond Refunding Plan is proposed for adoption to allow the Commission to take advantage of bond refunding savings.</b>
<b>SPECIAL COMMENTS</b>	
<b>CONTRACT NO./ REFERENCE NO.</b>	<b>N/A</b>
<b>COST</b>	<b>Potential savings \$2.4 million. Estimated cost \$111,000.</b>
<b>AMENDMENT/ CHANGE ORDER NO. AMOUNT</b>	<b>N/A</b>
<b>MBE PARTICIPATION</b>	<b>N/A</b>
<b>PRIOR STAFF/ COMMITTEE APPROVALS</b>	<b>N/A</b>
<b>RECOMMENDATION TO COMMISSION</b>	<b>Approve Refunding Plan</b> <b>Approve transmittal of Refunding Plan to Prince George's and Montgomery County Executives and County Councils</b>
<b>COMMISSION ACTION</b>	

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**SECRETARY**

# WASHINGTON SUBURBAN SANITARY COMMISSION

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## Interoffice Memorandum

**TO:** THE COMMISSION

**THRU:** CARLA REID JOYNER  
INTERIM GENERAL MANAGER

**THRU:** SHEILA S. COHEN  
ACTING TREASURER/CHIEF FINANCIAL OFFICER

**FROM:** LINNIE F. DIXON  
DISBURSEMENTS GROUP LEADER

**DATE:** SEPTEMBER 29, 2004

**SUBJECT:** BOND REFUNDING

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To take advantage of current low interest rates, our financial advisor, Public Advisory Consultants, has prepared a Refunding Plan and Analysis (the Plan) that is attached as Exhibit A. The Plan identifies six outstanding bond issues which, based on current economic conditions, should be considered for refunding, and two additional outstanding bond issues that may be considered for refunding if interest rates decline.

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.

Attachment

**EXHIBIT "A"**

**WASHINGTON SUBURBAN SANITARY COMMISSION**

**REFUNDING PLAN & ANALYSIS**

**SUBMITTED BY**

**PUBLIC ADVISORY CONSULTANTS, INC.**

**September 15, 2004**

**Washington Suburban Sanitary Commission**  
**Tax-Exempt Bond Refunding Plan**

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**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 of the Commission for refinancing suitability. Based on current market conditions, three bond issues (Issues 4-6 on chart) are exhibiting at least 2% in net present value (NPV) savings. Currently an additional three bond issues (Issues 1-3) are exhibiting nearly 2% savings, and two additional bond issues (Issues 7-8) have little savings, but could be eligible for refunding if market conditions improve, therefore providing sufficient savings. From the three bond issues currently exhibiting at least 2% NPV savings, approximately \$1.4 million in NPV savings and \$3.3 million in gross savings can be realized through the issuance of \$58,510,000 in tax-exempt advance refunding bonds to refinance \$55,525,000, the callable components of \$96,545,000 in outstanding debt. This level of NPV savings, approximately 2.42% of refunding bonds is above the industry standard of 2% NPV savings. If we were to include the additional 3 issues exhibiting nearly 2% NPV savings, NPV savings would increase to approximately \$2.4 million and gross savings to \$5.9 million through the issuance of \$111,140,000 in tax-exempt advance refunding bonds to refinance \$104,635,000, the callable components of \$162,840,000 in outstanding debt with approximately 2.19% of NPV savings. Below are the Major Assumptions and Methodology. All numbers are based on current market conditions and subject to change.

**Major Assumptions and Methodology**

- Tax-exempt refunding bond rates as of mid-September 2004.
- All eligible outstanding bonds called on earliest date.
- Escrow investments based on SLGS rates as of September 10, 2004.
- Issuance Costs estimated at 0.1% (\$1.00/Bond).
- Refunding bonds structured to achieve equal annual debt service savings within each year. (We could adjust this to achieve upfront savings on the General Construction Bonds as has been done previously.)
- All net present value savings statistics are net of all transaction costs and debt service fund contributions.

**EXHIBIT "A"**  
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**Washington Suburban Sanitary Commission  
Tax-Exempt Bond Refinancing Analysis  
Comprehensive Executive Summary of Debt Service Savings  
Fall 2004**

Issue Number	Original Dated Date	Final Maturity Date	Original Bond Size	Purpose	Outstanding Principal	Refinanced Principal	Debt Service Fund Transfers	Current Average Interest Rate	Earliest Refinancing Date	Refunding Bonds Issued	Gross Present Value \$ Savings*	Net Present Value \$ Savings *	Net Present Value % Savings *
1	6/1/98	6/1/17	\$45,600,000	Water Supply Bonds of 1998	\$31,200,000	\$21,600,000	\$440,000	4.863%	Immediate	\$23,320,000	\$1,078,423	\$453,932	1.947%
2	6/1/98	6/1/14	\$12,350,000	Sewage Disposal Bonds of 1998	\$8,450,000	\$5,850,000	\$119,167	4.863%	Immediate	\$6,320,000	\$292,359	\$122,919	1.945%
3	1/1/99	6/1/23	\$30,000,000	General Construction Bonds of 1999	\$26,645,000	\$21,660,000	\$431,193	4.780%	Immediate	\$22,990,000	\$1,204,973	\$444,245	1.932%
4	4/1/00	6/1/24	\$20,000,000	General Construction Bonds of 2000	\$18,545,000	\$14,870,000	\$323,040	5.289%	Immediate	\$16,110,000	\$1,227,711	\$546,361	3.391%
5	3/15/01	6/1/20	\$71,430,000	Water Supply Bonds of 2001	\$59,280,000	\$30,930,000	\$580,938	4.450%	Immediate	\$32,255,000	\$1,616,350	\$666,609	2.067%
6	3/15/01	6/1/20	\$22,575,000	Sewage Disposal Bonds of 2001	\$18,720,000	\$9,725,000	\$182,569	4.447%	Immediate	\$10,145,000	\$502,924	\$208,051	2.051%
7	3/15/01	6/1/25	\$15,000,000	General Construction Bonds of 2001	\$14,200,000	\$10,825,000	\$213,526	4.725%	Immediate	\$11,430,000	\$502,769	\$136,183	1.191%
8	12/1/01	6/1/25	\$40,000,000	General Construction Bonds of 2001 (Second Series)	\$37,840,000	\$28,880,000	\$601,667	4.998%	Immediate	\$31,170,000	\$1,423,261	\$391,744	1.356%

Issues 1-8 (Total)	\$256,955,000	\$214,880,000	\$144,340,000	\$2,892,100	\$153,740,000	\$7,848,770	\$2,970,044	1.932%
Issues 4-6 (> 2% NPV Savings)	\$114,005,000	\$96,545,000	\$55,525,000	\$1,086,547	\$58,510,000	\$3,346,985	\$1,421,021	2.429%
Issues 1-6 (> 1.75% NPV Savings)	\$201,955,000	\$162,840,000	\$104,635,000	\$2,076,907	\$111,140,000	\$5,922,740	\$2,442,117	2.197%

\* Subject to change, based on current market conditions.

Prepared by: Public Advisory Consultants, Inc.

Date: September 10, 2004