
Meeting Date: February 26, 2020
Staff Contact: Stan Allred, Chief Financial Officer

TITLE: R-19-26 – Confirming Approval of the Issuance of Albuquerque Bernalillo County Water Utility Authority (“Water Authority”) Senior Lien Joint Water and Sewer System Revenue Bonds, Series 2020 in one Series in the Principal Amount not to exceed \$86,000,000 (the Bonds”); and Ratifying Action Previously Taken in Connection Therewith

ACTION: Recommend Approval

SUMMARY:

This legislation is the Confirming Resolution for the proposed Senior Lien Joint Water Revenue Bonds, Series 2020. It was prepared by the Modrall Law Firm as Bond Counsel for this transaction. This resolution establishes certain bond final pricing details; provides for the payment of the cost of issuing the bonds; approves disclosure and other documents relating to the bonds; and ratifies previous action taken in connection with the sale of the bonds.

Pending approval of Ordinance F/S O-19-3, this Resolution authorize the Water Authority issue new money for basic needs improvements as approved by the Board in the decade plan and annual capital budget.. This Confirming Resolution approves the terms, sale price, interest rates, redemption features and other matters with respect to the Bonds.

FISCAL IMPACT:

Based upon current market conditions the new money financing will have a 12 year final maturity (July 1, 2032) with annual debt service of approximately \$8.85 million beginning in fiscal year 2022. There will be interest only payment in fiscal year 2021. Gross Revenues, all income and revenues directly or indirectly derived by the Water Authority from the operation and use of the System less operation and maintenance expenses, are pledged as security for these bonds, similar to the Water Authority’s prior debt issuances.

COMMENTS:

This confirming resolution is required for any bond issuance under the approved Bond Ordinance and requires Water Authority Board approval.

Current Senior Lien Bond ratings are as follows: AAA Standard and Poor’s, Aa2 Moody’s. Fitch has a AA rating on outstanding bond prior to 2016 but the Authority will not be requesting a rating from Fitch for the 2018 Bonds or future debt issuances.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

BILL NO. F/S R-19-26

1 **RESOLUTION**

2 **CONFIRMING APPROVAL OF THE ISSUANCE OF ALBUQUERQUE BERNALILLO**
3 **COUNTY WATER UTILITY AUTHORITY (THE "WATER AUTHORITY") SENIOR LIEN**
4 **JOINT WATER AND SEWER SYSTEM IMPROVEMENT REVENUE BONDS, SERIES**
5 **2020 IN ONE OR MORE SERIES IN THE AGGREGATE PRINCIPAL AMOUNT NOT**
6 **TO EXCEED \$86,000,000 (THE "BONDS"); AND RATIFYING ACTION PREVIOUSLY**
7 **TAKEN IN CONNECTION THEREWITH**

8 WHEREAS, pursuant to Section 72-1-10 NMSA 1978, the Board (the "Board") of
9 the Albuquerque Bernalillo County Water Utility Authority (the "Water Authority")
10 adopted Ordinance No. F/S O-19-3 on February 26, 2020 (the "Bond Ordinance")
11 authorizing the issuance of the Bonds to finance improvements to the Water Authority's
12 joint water and wastewater system as described therein;

13 BE IT RESOLVED BY THE WATER AUTHORITY:

14 SECTION 1. The issuance of the Bonds in one or more series in the aggregate
15 principal amount not to exceed \$86,000,000 is authorized. All action heretofore taken
16 by the Board and the officers of the Authority directed toward the financing of the
17 Project, the issuance of the Bonds, the pledge of the Net Revenues and the adoption of
18 the Bond Ordinance be, and the same hereby are, authorized, ratified, approved and
19 confirmed. Pursuant to the Bond Ordinance, the Delegate is authorized to approve the
20 final terms of the Bonds within the parameters set forth in the Bond Ordinance. All
21 capitalized terms shall have the same meaning as such terms have in the Bond
22 Ordinance.

23 SECTION 2. If any section, paragraph, clause or provision of the Confirming
24 Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or
25 unenforceability of such section, paragraph, clause or provision shall not affect any of
26 the remaining provisions of the Confirming Resolution.

SECTION 3. The Confirming Resolution shall be in full force and effect immediately upon adoption.

SECTION 4. Pursuant to the general laws of the State, the title and general summary of the subject matter contained in the Confirming Resolution shall be published in substantially the following form:

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

LEGAL NOTICE

Notice is hereby given that the Board of Directors of Albuquerque Bernalillo County Water Utility Authority did on the 26th day of February, 2020, adopt a resolution entitled:

CONFIRMING APPROVAL OF THE ISSUANCE OF ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY (THE "WATER AUTHORITY") SENIOR LIEN JOINT WATER AND SEWER SYSTEM IMPROVEMENT REVENUE BONDS, SERIES 2020 IN ONE OR MORE SERIES IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$86,000,000 (THE "BONDS"); AND RATIFYING ACTION PREVIOUSLY TAKEN IN CONNECTION THEREWITH.

The Confirming Resolution authorizes the issuance of the Bonds. Complete copies of the Confirming Resolution are available for public inspection during normal and regular business hours at the offices of the Water Authority, One Civic Plaza, NW, Albuquerque, New Mexico.

Dated this 26th day of February, 2020.

1 PASSED AND ADOPTED THIS 26TH DAY OF FEBRUARY, 2020. BY A VOTE OF
2 _____ FOR AND _____ AGAINST.

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CHAIR

7 ATTEST:

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SECRETARY

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Albuquerque Bernalillo County Water Utility Authority

Series 2020 Financing Discussion

2/26/2020

Proposed Series 2020 Joint Water and Sewer System Revenue Bonds

- The Series 2020 bond transaction is expected to be sold at a negotiated pricing on or about February 27, 2020
 - The estimated borrowing rate is 2.49%*
 - Final maturity of July 2032 (12 year)
 - Issuance of proposed 2020 complies with the Authority's Debt Policy
- The Authority's senior lien bonds are rated AAA (Standard and Poor), Aa (Moody's) and AA Fitch⁽¹⁾
- The proceeds of the Series 2020 bonds will be used to fund the basic needs assets of the Water Authority

Projects to be Financed by the Series 2020 Bond Issuance

\$MM	Project	\$MM	Project
\$56.00	General Projects	\$8.00	Treatment Plant / Dewatering
\$10.00	Customer Service & Field Operations Building	\$2.00	Information Technology
\$10.00	Clarifier		
\$86 million in total projects to be financed			

(1) Fitch last rated the Water Authority's bonds in 2016. The Water Authority will not be requesting a Fitch rating for the 2020 Bonds.

* Rates as of 11/15/2019. Subject to change.

Proposed Series 2020 Joint Water and Sewer System Revenue Bonds

Year	Principal	Interest	Debt Service
2020		\$ 1,281,850	\$ 1,281,850
2021	-	3,721,500	3,721,500
2022	6,000,000	3,721,500	9,721,500
2023	6,000,000	3,421,500	9,421,500
2024	6,940,000	3,121,500	10,061,500
2025	6,940,000	2,774,500	9,714,500
2026	6,940,000	2,427,500	9,367,500
2027	6,935,000	2,080,500	9,015,500
2028	6,935,000	1,733,750	8,668,750
2029	6,935,000	1,387,000	8,322,000
2029	6,935,000	1,040,250	7,975,250
2030	6,935,000	693,500	7,628,500
2031	6,935,000	346,750	7,281,750

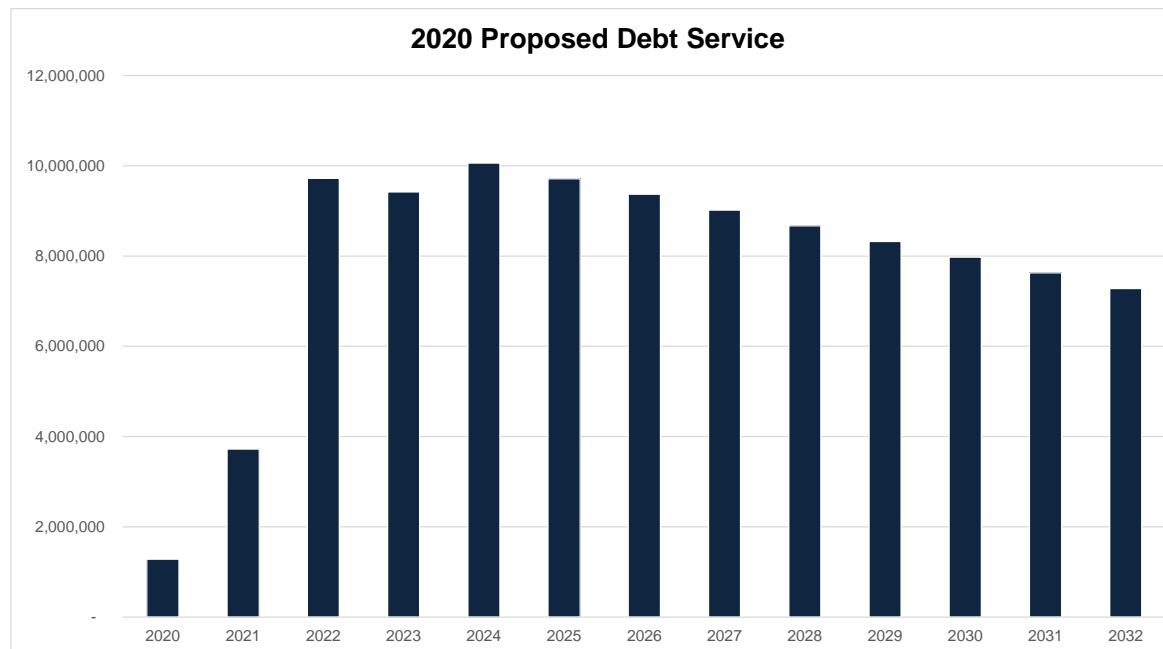
Total \$ 74,430,000 \$ 27,751,600 \$ 102,181,600

Sources & Uses

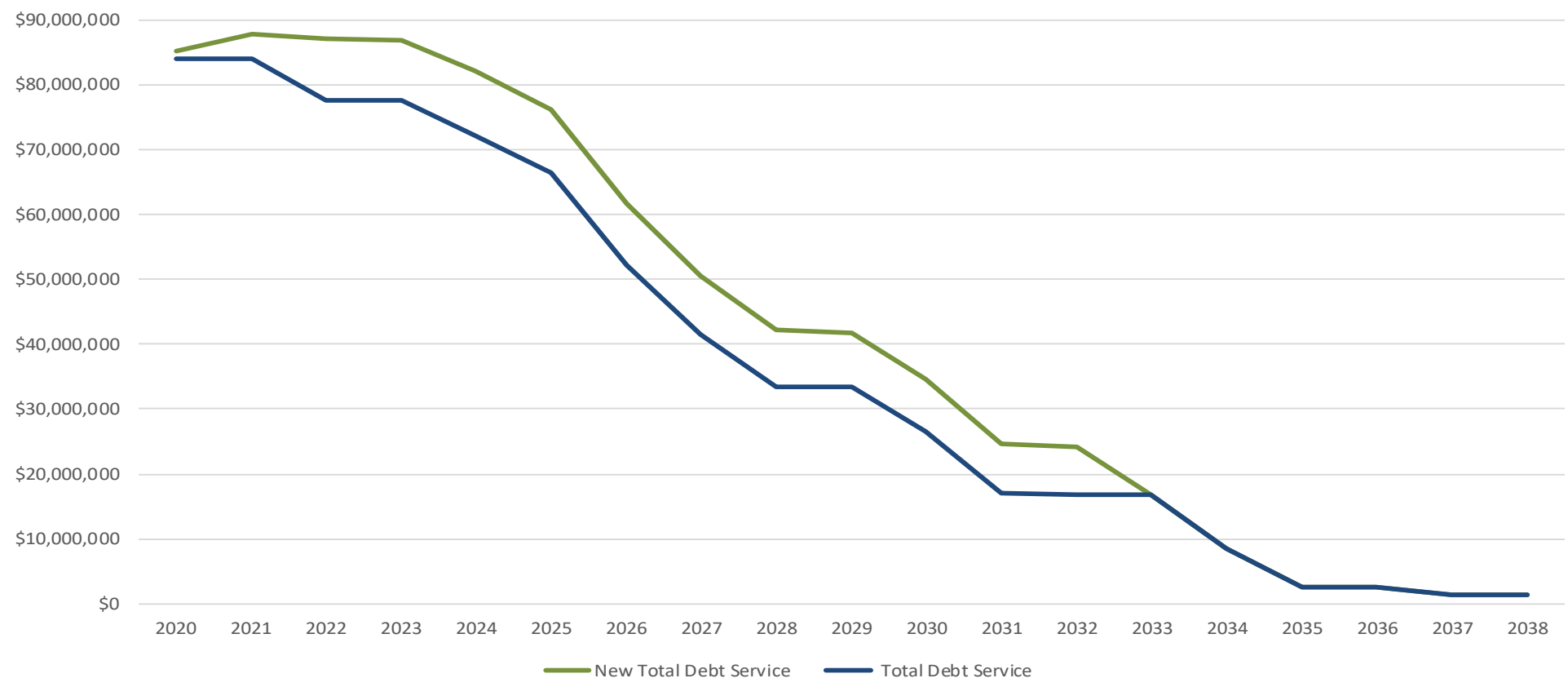
Par Amount	\$ 74,430,000
Premium	12,231,215
	\$ 86,661,215

Project Fund	\$ 86,000,000
Cost of Issuance	400,000
Underwriter's Discount	260,505
Additional Proceeds	710
	\$ 86,661,215

(1) Assumes a premium coupon



ABCWUA Debt Profile After the Issuance of the Proposed Series 2020 Bonds



Series 2020 Proposed Time Schedule

Date	Action
October 2019	Working group kick-off meeting
November 2019	Draft of Preliminary Official Statement and Rating Presentation Distributed
Wednesday, December 04, 2019	ABCWUA Board meeting introduction of Delegation Ordinance and Confirming Resolution
January 10th & 15th	Bond Rating Presentations
Wednesday, February 19, 2020	Preliminary Official Statement Posting
Wednesday, February 26, 2020	ABCWUA Board meeting adoption of Delegation Ordinance and Confirming Resolution
Thursday, February 27, 2020	Bond Pricing
Wednesday, March 18, 2020	Report Sale Results to Authority Board
Thursday, April 02, 2020	Bond Closing

Weekly Municipal Market Update



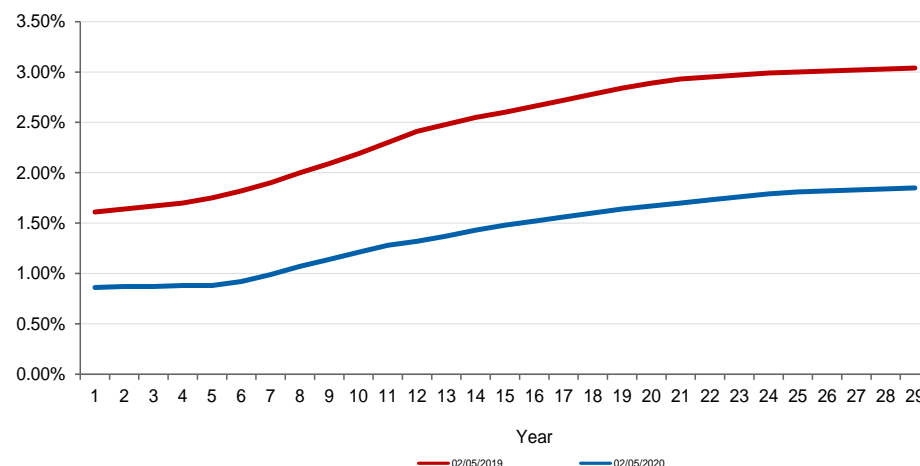
Capital
Markets

Long-Term Market

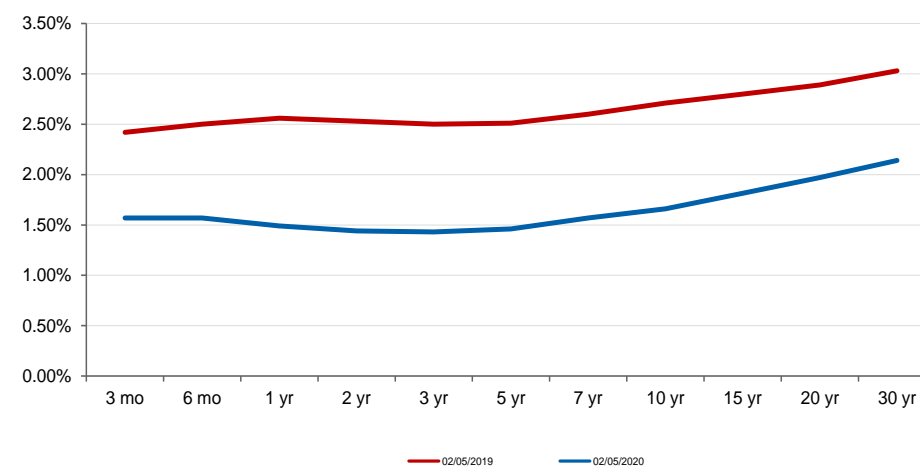
Market Overview

- After declining for two weeks, fixed income rates moved higher last week as waning fears over the coronavirus put a strong bid into equities and generally eroded prices in the fixed income markets. This sentiment was reversed on Friday as negative coronavirus dispatches hit the newswires. Municipals benefited from a moderate new issue calendar that was heavy with taxable offerings, and continued heavy mutual fund inflows. By the close of the week, US Treasuries were ten basis point higher in the five year range, seven basis points higher in the ten year range and five basis points higher in the thirty year range. The Municipal Market Data AAA yield closed four basis points higher in the two and five year ranges and three basis points higher in the ten year range and thirty year ranges. As a result, municipal/Treasury yield ratios closed the week lower, declining one to two percentage points across the maturity spectrum.

Municipal GO “AAA” MMD Yield Curve Changes



U.S. Treasury Yield Curve Changes



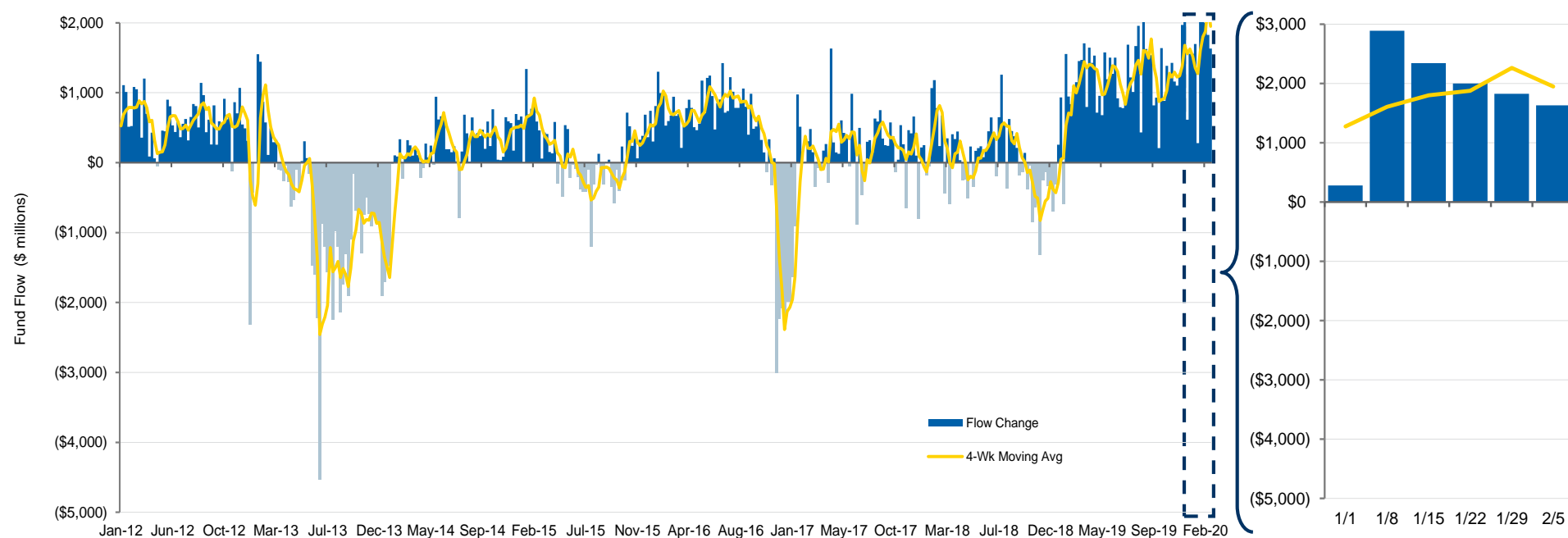
Municipal Market Fund Flows

Municipal bond funds see inflows

According to data from Lipper, for the week ended February 5, 2020, weekly municipal bond funds reported \$1.631 billion of inflows, after the previous week's \$1.825 billion of inflows

- Long-term muni bond funds experienced inflows, gaining \$1.121 billion in the latest week, after inflows of \$1.438 billion in the previous week
- Four week moving average remained positive at \$1.949 billion, down from last week's number of \$2.263 billion

Lipper Municipal Fund Flows

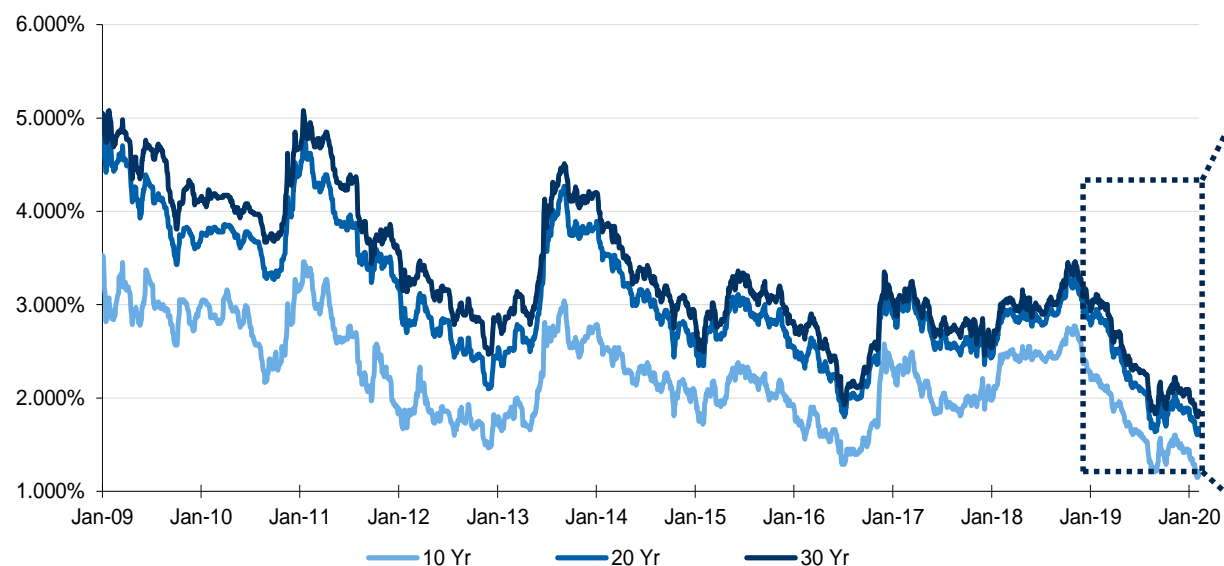


Period ended February 5, 2020

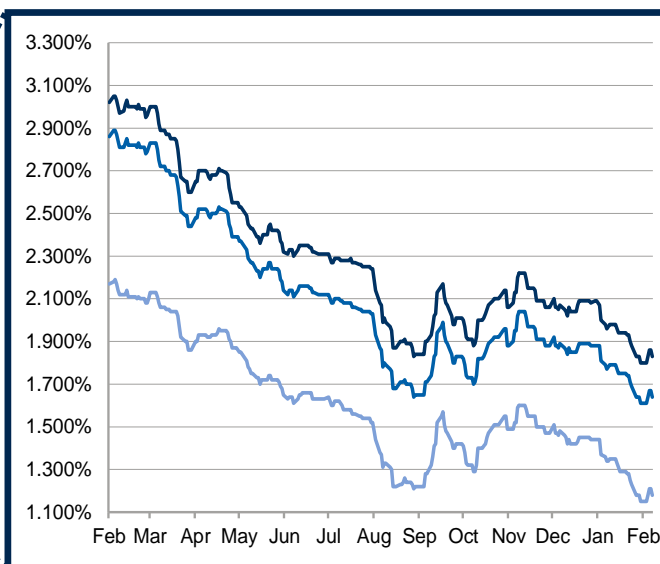
Current Municipal Market Conditions: “AAA” MMD

After closing at 1.80% the previous week, the 30-year “AAA” MMD increased 3 bps from January 31 – February 7 closing at the current rate of 1.83%

“AAA” MMD January 1, 2009 to Present



Shift in “AAA” MMD Since February 2019



January 1, 2009 to Present

	10 Year	20 Year	30 Year
Maximum	3.530%	4.890%	5.080%
Minimum	1.150%	1.610%	1.800%
Current	1.180%	1.640%	1.830%

Shift in 30-year “AAA” MMD

2013	2014	2015	2016	2017	2018	2019
1.330%	-1.340%	-0.010%	0.270%	-0.510%	0.470%	-0.930%

February 1, 2019 to Present

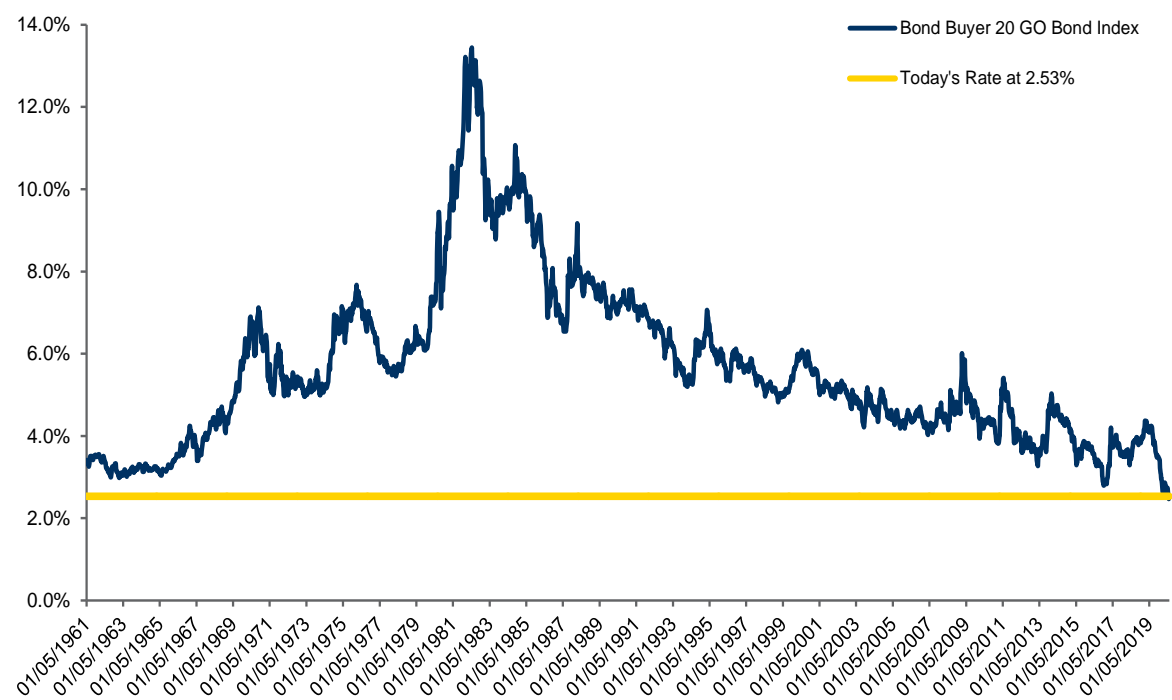
	10 Year	20 Year	30 Year
Maximum	2.190%	2.890%	3.050%
Minimum	1.150%	1.610%	1.800%
Average	1.603%	2.101%	2.285%

Source: TM3, Thomson Reuters
10, 20, and 30 year “AAA” MMD shown to represent different average lives of municipal transactions
Rates as of February 7, 2020

Bond Buyer 20 General Obligation Bond Index

60 Year Historical Perspective

Bond Buyer 20 GO Index since January 1961



% of Time in Each Range Since 1961

Yield Range		
Less than 3.50%	10.89%	
3.50% - 4.00%	10.93%	
4.01% - 4.50%	11.38%	
4.51% - 5.00%	9.79%	
5.01% - 5.50%	13.65%	
5.51% - 6.00%	9.50%	
6.01% - 6.50%	7.36%	
6.51% - 7.00%	6.71%	
7.01% - 7.50%	6.06%	
7.51% - 8.00%	3.57%	
Greater than 8.00%	10.15%	
Total	100.00%	

Source: Bloomberg as of February 6, 2020
Weekly yields and indexes released by the Bond Buyer. Updated every Thursday at approximately 6:00pm EST. 20 Bond General Obligation Yield with 20 year maturity, rated Aa2 by Moody's Arithmetic Average of 20 bonds' yield to maturity.

Today's 2.53% level is lower than 99.97% of historical rates since January 1961

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