

AGENDA ITEM #2D  
October 6, 2009

**Introduction**

**MEMORANDUM**

October 2, 2009

TO: County Council

FROM: *KL* Keith Levchenko, Senior Legislative Analyst

SUBJECT: **Introduction:** Resolution Regarding Washington Suburban Sanitary Commission's (WSSC) Bond Refunding Plan

On September 25, 2009 the Council received a bond refunding plan from WSSC (attached on ©7-9). According to Maryland Code Article 29, Section 4-109, action is required by both the County Executive and the Council within 30 days of receipt of the plan.

According to WSSC's transmittal, there are 3 bond issues (issues #2-4 on ©5) that would generate approximately 3.8% in net present value (NPV) savings for a total of \$3.04 million in net present value savings (\$3.7 million in gross savings). This savings takes into account all transaction costs and debt service fund contributions required as part of the refunding. WSSC has also identified six other bond issues that currently show NPV savings of less than 1.0% which WSSC will continue to monitor for future refunding opportunities.

Since interest rates can fluctuate frequently, WSSC is requesting the authority to move forward with this bond refunding as soon as possible.

A draft resolution is attached on ©1-2.

**Council action is scheduled for October 13, 2009.**

**Attachments**

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Resolution: \_\_\_\_\_  
Introduced: \_\_\_\_\_  
Adopted: \_\_\_\_\_

COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND

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By: County Council

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Subject: Approval of a Certain Refunding Plan of the Washington Suburban Sanitary Commission for the Issuance of Refunding Bonds

Background

1. The purpose of this resolution is to approve the Refunding Plan of the Washington Suburban Sanitary Commission (the "Commission") for the refunding of certain bonds of the Washington Suburban Sanitary District, as set forth therein. This refunding will be accomplished through the issuance, at one time or from time to time, of General Construction Refunding Bonds and Storm Water Drainage Refunding Bonds of the Washington Suburban Sanitary District (collectively, the "Refunding Bonds"), as market conditions may permit.
2. Issuance of the Refunding Bonds will permit the refunding of some or all of the bonds of the Washington Suburban Sanitary District set forth on pages 2 and 3 of the Refunding Plan (such bonds are referred to collectively herein as the "Refunded Bonds").
3. Under the provision of Article 29 of the Annotated Code of Maryland, as amended ("Article 29"), and particularly, Section 4-109 thereof, the Commission is authorized to issue the Refunding Bonds to refund the Refunded Bonds to effect savings in debt service costs, directly or through any debt restructuring and only upon a finding by the Commission that such refunding will result in total savings in debt service costs.
4. Section 4-109 of Article 29 provides for the Commission to prepare its plan respecting the issuance of the Refunding Bonds. The Commission has delivered to the County Executive and the County Council of Montgomery County said plan (the "Refunding Plan") entitled:

WASHINGTON SUBURBAN SANITARY COMMISSION  
REFUNDING PLAN AND ANALYSIS  
dated September 3, 2009

5. Section 4-109 of Article 29 provides that the sale of the Refunding Bonds as authorized thereunder shall not be made unless the Refunding Plan is approved by the County Executive and the County Council of Prince George's County and Montgomery County, respectively. However, if during the period of 30 days from the date of delivery of the Refunding Plan any

County Executive or County Council shall have failed to approve or disapprove the Refunding Plan, such failure shall be deemed an approval of the Refunding Plan by such County Executive or County Council.

6. The Refunding Plan has been based upon certain market analysis performed by the Commission's financial advisor, Public Advisory Consultants, Inc., which has determined the refunding and advance refunding opportunities.
7. Delivery of the Refunding Plan to the County Councils and County Executives of the two Counties, respectively, has been approved by the Commission. Subject to the approval of the Refunding Plan as required under Section 4-109, the Commission proposes issuing the Refunding Bonds of Washington Suburban Sanitary District in the amount necessary to effectuate the Refunding Plan. The Refunding Plan may be revised if and to the extent that any facts assumed should subsequently change.
8. The County Executive of Montgomery County has reviewed the Refunding Plan and has signed and submitted to the County Council his statement of approval of the Refunding Plan.

Action

The County Council approves the following action:

1. The Refunding Plan is approved, recognizing that the Refunding Plan is based upon certain assumptions made by the Commission's Financial Advisor, Public Advisory Consultants, Inc. To the extent the facts assumed should change, revisions in the Refunding Plan may be necessary.
2. The Refunding Plan will be placed on file with the Clerk of the Council, and the Clerk must deliver to the Treasurer of the Commission certified copies of this Resolution and of the excerpts from the minutes of the meeting of the County Council evidencing the adoption of this Resolution.
3. The provisions of this Resolution are severable and if any paragraph, provision, sentence, clause, section or part hereof is held illegal, invalid, unconstitutional or inapplicable to any person or circumstance by a court of competent jurisdiction, such illegality, invalidity, unconstitutionality, or inapplicability shall not effect or impair any of the remaining paragraphs, provisions, sentences, clauses, section, or parts of this Resolution. It is hereby declared to be the legislative intent that this Resolution would have been adopted if such illegal, invalid, unconstitutional, or inapplicable provision, paragraph, sentence, clause, section or part had not been included herein.

This is a correct copy of Council action.

\_\_\_\_\_  
Linda M. Lauer, Clerk of the County Council



# Washington Suburban Sanitary Commission

14501 Sweitzer Lane • Laurel, Maryland 20707-5902

COMMISSIONERS  
Gene W. Counihan, Chair  
Joyce Starks, Vice Chair  
Prem P. Agarwal  
Antonio L. Jones  
Hon. Adrienne A. Mandel  
Dr. Roscoe M. Moore, Jr.

GENERAL MANAGER  
Jerry N. Johnson

DEPUTY  
GENERAL MANAGER  
Teresa D. Daniell

September 23, 2009

The Honorable Phil Andrews  
President  
Montgomery County Council  
Stella Werner Office Building  
100 Maryland Avenue  
Rockville, MD 20850

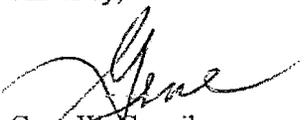
Re: Bond Refunding Plan

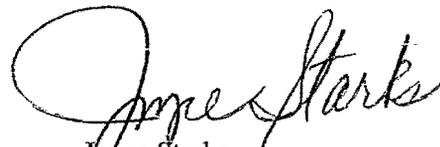
Dear Council President Andrews:

In compliance with Section 4-109 of the WSSD Code, the Washington Suburban Sanitary Commission requests your approval to refund certain bond issues. The bond issues under consideration for refunding are listed in the enclosed Refunding Plan and Analysis (the Plan). These bonds were sold in earlier years at relatively higher interest rates. Our financial advisor, Public Advisory Consultants, advises us that, should current municipal interest rates continue, refunding the bonds will result in debt service savings of approximately \$3 million over the life of the bonds.

The Commission approved the Plan at its meeting on September 23, 2009. The Commission respectfully requests your favorable consideration and approval of the Plan. A Resolution is enclosed for your use. Should additional information be required, please have your staff contact J.D. Noell, Disbursements Group Leader, at 301-206-7069.

Sincerely,

  
Gene W. Counihan  
Chair

  
Joyce Starks  
Vice Chair

Enclosures

Resolution No: \_\_\_\_\_  
Introduced: \_\_\_\_\_  
Adopted: \_\_\_\_\_

COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND

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**Background**

1. The purpose of this resolution is to approve the Refunding Plan of the Washington Suburban Sanitary Commission (the "Commission") for the refunding of certain bonds of the Washington Suburban Sanitary District, as set forth therein. This refunding will be accomplished through the issuance, at one time or from time to time, of General Construction Refunding Bonds, Water Supply Refunding Bonds and Sewage Disposal Refunding Bonds of the Washington Suburban Sanitary District (collectively, the "Refunding Bonds"), as market conditions may permit.
2. Issuance of the Refunding Bonds will permit the refunding of some or all of the bonds of the Washington Suburban Sanitary District set forth on pages 2 and 3 of the Refunding Plan (such bonds are referred to collectively herein as the "Refunded Bonds").
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This is a correct copy of the Council action.

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Linda M. Lauer, Clerk of the Council

WASHINGTON SUBURBAN SANITARY COMMISSION

REFUNDING PLAN & ANALYSIS

SUBMITTED BY

PUBLIC ADVISORY CONSULTANTS, INC.

September 3, 2009

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, the General Construction Bonds of 2005, the Water Supply Bonds of 2005, and the Sewage Disposal Bonds of 2005 all exhibit positive net present value percent savings greater than 3%. From these three bond issues, approximately \$3.0 million in net present value (NPV) savings and \$3.7 million in gross savings can be realized through the issuance of \$92,055,000 in tax-exempt advance refunding bonds to refinance \$79,730,000, the callable components of \$136,270,000 in outstanding debt. All numbers are based on current market conditions and subject to change.

We have also reviewed the outstanding General Construction Bonds of 2004, Water Supply Bonds of 2006, Sewage Disposal Bonds of 2006, Water Supply Bonds of 2007, Sewage Disposal Bonds of 2007, and Consolidated Public Improvement Bonds of 2009 for refinancing suitability. The General Construction Bonds of 2004 exhibit negative NPV savings at this time and the other series each exhibit NPV savings of less than 1%.

We will continue to monitor the market for refunding opportunities. If rates were to fall lower and as the call date for each bond series gets closer, refunding opportunities may arise.

Major Assumptions and Methodology

- Tax-exempt refunding bond rates as of early-September 2009.
- All eligible outstanding bonds called on earliest date.
- Escrow investments based on SLGS rates as of September 3, 2009.
- Issuance Costs estimated at approximately \$150,000.
- 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.

Washington Suburban Sanitary Commission  
 Tax-Exempt Bond Refinancing Analysis  
 Summary of Debt Service Savings  
 Sep-09  
 Current Rates

Issue Number	Original Dated Date	Final Maturity Date	Original Bond Size	Purpose	Outstanding Principal	Refinanced Principal	Current Average Interest Rate	Earliest Refinancing Date	Refunding Bonds Issued	Gross Present Value \$ Savings*	Net Present Value \$ Savings *	Net Present Value % Savings *
1	2/1/2004	6/1/2028	7000000	General Construction Bonds of 2004	\$6,215,000	\$5,075,000	4.248%	Immediate	\$5,655,000	(\$39,901)	(\$22,775)	-0.449%
2	3/15/2005	6/1/2029	\$15,000,000	General Construction Bonds of 2005	\$13,790,000	\$10,830,000	5.000%	Immediate	\$12,550,000	\$507,822	\$387,289	3.576%
3	3/15/2005	6/1/2025	\$60,330,000	Water Supply Bonds of 2005	\$47,330,000	\$27,830,000	5.000%	Immediate	\$32,125,000	\$1,311,603	\$1,073,909	3.859%
4	3/15/2005	6/1/2025	\$97,870,000	Sewage Disposal Bonds of 2005	\$75,150,000	\$41,070,000	5.000%	Immediate	\$47,380,000	\$1,912,712	\$1,574,838	3.835%
5	2/15/2006	6/1/2026	\$50,000,000	Water Supply Bonds of 2006	\$42,500,000	\$25,000,000	4.243%	Immediate	\$27,370,000	\$215,164	\$186,172	0.745%
6	2/15/2006	6/1/2026	\$50,000,000	Sewage Disposal Bonds of 2006	\$42,500,000	\$25,000,000	4.248%	Immediate	\$27,370,000	\$215,164	\$186,172	0.745%
7	4/15/2007	6/1/2027	\$50,000,000	Water Supply Bonds of 2007	\$45,000,000	\$25,000,000	4.175%	Immediate	\$27,345,000	\$125,861	\$112,225	0.449%
8	4/15/2007	6/1/2027	\$20,000,000	Sewage Disposal Bonds of 2007	\$18,000,000	\$10,000,000	4.175%	Immediate	\$10,940,000	\$44,170	\$44,316	0.443%
9	1/15/2009	6/1/2028	\$165,000,000	Consolidated Public Improvement Bonds of 2009	\$156,640,000	\$83,805,000	4.332%	Immediate	\$91,500,000	\$475,351	\$412,230	0.492%
Total			\$508,200,000		\$440,910,000	\$248,535,000			\$276,580,000	\$4,807,849	\$3,977,151	1.600%
Issues 2-4 Only			\$173,200,000		\$136,270,000	\$79,730,000			\$92,055,000	\$3,732,139	\$3,036,036	3.808%

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

Prepared by: Public Advisory Consultants, Inc.

Date: September 3, 2009

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