

AGENDA ITEM #2D
October 13, 2009

Action

M E M O R A N D U M

October 9, 2009

TO: County Council

FROM:  Keith Levchenko, Senior Legislative Analyst

SUBJECT: **Action:** 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.

The County Executive reviewed the bond refunding request and has approved a certificate of approval (see ©10-11). Council Staff recommends Council approval of the attached resolution (see ©1-2).

Attachments

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Resolution: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

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

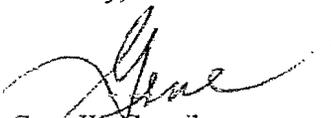
Re: Bond Refunding Plan

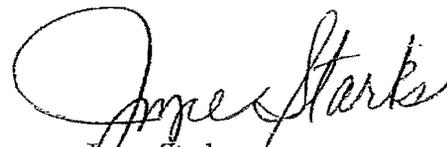
Dear Council President Andrews:

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

By: County Council

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, 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").
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 the Council action.

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

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	\$5,653,000	(\$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	\$32,123,000	\$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	\$1,917,712	\$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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DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Jennifer E. Barrett
Director

MEMORANDUM

September 30, 2009

TO: Isiah Leggett
County Executive

FROM: Jennifer E. Barrett, Director
Department of Finance 

SUBJECT: **Certificate of Approval of Plan for Issuance of Washington Suburban Sanitary Commission (WSSC) Refunding Bonds**

Attached for your signature is a Certificate of Approval for a plan to issue Washington Suburban Sanitary District refunding bonds. The plan was prepared by Public Advisory Consultants, financial advisor for the WSSC. The Commission is authorized by State law to issue refunding bonds from time to time in order to achieve debt service savings. Your approval is required for WSSC to move forward with the bond issue; however, if you fail to approve or disapprove within 30 days, such failure will be deemed an approval.

I reviewed the Refunding Plan & Analysis and found it to be advisable and consistent with industry benchmarks relative to municipal bond refundings. Therefore, I recommend that you approve the attached Certificate. If you have any questions, please contact me at 240-777-8860.

JEB/gww

Attachment

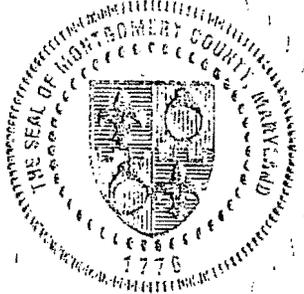
cc: Joe Beach

Office of the Director

CERTIFICATE OF APPROVAL

I, Isiah Leggett, the duly elected and acting County Executive of Montgomery County, Maryland, do hereby approve the plan for the issuance of Washington Suburban Sanitary District refunding debt entitled "WASHINGTON SUBURBAN SANITARY COMMISSION REFUNDING PLAN AND ANALYSIS", dated September 3, 2009, and consisting of three (3) pages, in conformity with the provisions of Article 29 of the Annotated Code of Maryland, as amended (the "Act").

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2009, and have caused the official seal of Montgomery County to be duly affixed hereon.





County Executive

