



Agenda Commentary

Item Title/ Subject: PWA Loan – Refinance

Staff Source: City Manager, Steve Hewitt

Date: June 13, 2013

Background/Subject Information:

See letter from OWRB regarding refinancing of their debt and passing the savings on to the Cities with loans. We have three options for our loan in PWA that is up in 2020: 1. Payoff balance \$295,689 2. Reduce payments 3. Keep payments the same and reduce length. Decision of the City's direction is due by June 27th. Savings passed along is only 30%.

Recommendation:

Staff recommends keeping the original debt payments; the extra will be placed on the principal to reduce length. We want the Council have the option. Staff would typically recommend full payoff, however with many capital costs and anticipated costs during the planning of the drought/water relief, we don't want to affect any more of the reserve PWA fund. Current reserves may be needed in areas of infrastructure, planning, or engineering of current issues or a new plant.

Price/Cost: 30% savings

Oklahoma Water Resources Board
Taxable Drinking Water Refunding Series 2013B
Draft Savings Allocations Based on Taxable Rate Estimates as of 06/10/13, plus 10bps
(Assumes Borrowers Eligible to Refinance Select Savings Option 2)

Clinton Public Works Authority

Loan ID: ORF-98-0003-DW
 Closed Amount: \$644,000
 Remaining Balance: \$295,689
 Original Rate: 3.160%
 Original Final Pmt: 09/15/2020

Loan Eligible?: **Yes**
 Selected Option: **Option 2**

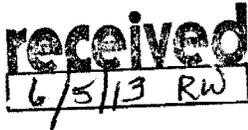
New Final Pmt: 09/15/2020
 Gross Savings: \$6,868
 Gross Savings % of Par: 2.467%
 Net PV Savings: \$6,109
 NPV Savings % of Par: 2.194%

ORIGINAL AMORTIZATION

Less: Net PV
 Allocated Savings at
 Original Rate

SAVINGS ADJUSTED AMORTIZATION

Date	Principal	Interest	Total P&I	Savings	of 3.160%	Date	Principal	Interest	Total P&I
09/01/13						09/01/13			
09/15/13	17,236.14	4,775.71	22,011.85	-	-	09/15/13	17,236.14	4,775.71	22,011.85
03/15/14	17,643.50	4,424.00	22,067.50	398.65	391.97	03/15/14	17,643.50	4,025.35	21,668.85
09/15/14	17,888.63	4,212.36	22,100.99	846.46	819.33	09/15/14	17,888.63	3,365.90	21,254.53
03/15/15	18,297.35	3,859.47	22,156.82	55.14	52.55	03/15/15	18,297.35	3,804.33	22,101.68
09/15/15	18,565.54	3,627.92	22,193.46	748.47	702.12	09/15/15	18,565.54	2,879.45	21,444.99
03/15/16	18,954.74	3,291.89	22,246.63	216.83	200.24	03/15/16	18,954.74	3,075.06	22,029.80
09/15/16	19,267.43	3,021.92	22,289.35	631.69	574.28	09/15/16	19,267.43	2,390.23	21,657.66
03/15/17	19,679.04	2,666.54	22,345.58	394.68	353.23	03/15/17	19,679.04	2,271.86	21,950.90
09/15/17	19,995.99	2,392.89	22,388.88	529.98	466.95	09/15/17	19,995.99	1,862.91	21,858.90
03/15/18	20,409.13	2,036.19	22,445.32	559.16	484.99	03/15/18	20,409.13	1,477.03	21,886.16
09/15/18	20,751.82	1,740.31	22,492.13	425.87	363.63	09/15/18	20,751.82	1,314.44	22,066.26
03/15/19	21,166.56	1,382.23	22,548.79	768.15	645.69	03/15/19	21,166.56	614.08	21,780.64
09/15/19	21,535.98	1,063.28	22,599.26	333.05	275.60	09/15/19	21,535.98	730.23	22,266.21
03/15/20	21,947.86	707.67	22,655.53	707.67	576.49	03/15/20	21,947.86	-	21,947.86
09/15/20	22,349.32	360.97	22,710.29	252.37	202.39	09/15/20	22,349.32	108.60	22,457.92
03/15/21	-	-	-	-	-	03/15/21	-	-	-
09/15/21	-	-	-	-	-	09/15/21	-	-	-
03/15/22	-	-	-	-	-	03/15/22	-	-	-
09/15/22	-	-	-	-	-	09/15/22	-	-	-
03/15/23	-	-	-	-	-	03/15/23	-	-	-
09/15/23	-	-	-	-	-	09/15/23	-	-	-
03/15/24	-	-	-	-	-	03/15/24	-	-	-
09/15/24	-	-	-	-	-	09/15/24	-	-	-
03/15/25	-	-	-	-	-	03/15/25	-	-	-
09/15/25	-	-	-	-	-	09/15/25	-	-	-
03/15/26	-	-	-	-	-	03/15/26	-	-	-
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03/15/27	-	-	-	-	-	03/15/27	-	-	-
09/15/27	-	-	-	-	-	09/15/27	-	-	-
03/15/28	-	-	-	-	-	03/15/28	-	-	-
09/15/28	-	-	-	-	-	09/15/28	-	-	-
03/15/29	-	-	-	-	-	03/15/29	-	-	-
09/15/29	-	-	-	-	-	09/15/29	-	-	-
	295,689.03	39,563.35	335,252.38	6,868.17	6,109.47		295,689.03	32,695.18	328,384.21



**STATE OF OKLAHOMA
WATER RESOURCES BOARD**
www.owrb.ok.gov

June 3, 2013

Signature Confirmation # 9134 9690 0935 0007 8064 96

Allen Bryson
Chairman
Clinton Public Works Authority
Post Office Box 1177
Clinton OK 73601

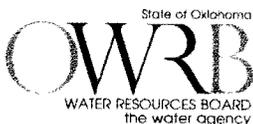
Dear Chairman Bryson:

Re: Potential refinance of Clinton Public Works Authority, Loan Number ORF-98-0003-DW

The Oklahoma Water Resources Board (the "OWRB") is considering refinancing all or a portion of its outstanding Revolving Fund Revenue Bonds, Series 2003 (the "Series 2003 Bonds"). The refinancing will depend on a number of factors, and if it is done, will be completed sometime on or before October 1, 2013. If it is done, any refinancing will be subject to market interest rates that will result in debt service savings being achieved. As interest rates are subject to market conditions, a final decision to refinance the Series 2003 Bonds will not be made until sometime later this spring or summer.

One of the factors that will shape the potential refinancing is whether and how the OWRB will share the potential debt service savings with the borrowers who have loans pledged to the Series 2003 Bonds. At its May 21, 2013 Board meeting, the OWRB took action to the effect that if the Series 2003 Bonds are refinanced, the OWRB will share approximately 30% of any realized debt service savings with the borrowers that have loans pledged to the Series 2003 Bonds. The refunding savings by borrower will be determined by the OWRB. Receipt of this letter is confirmation your entity is one of the borrowers that has a loan pledged to the Series 2003 Bonds and that your entity has an opportunity to share in the debt service savings if the refinancing is completed.

The objective of this letter is to inform you of the possible refinancing and to allow your entity the opportunity to provide the OWRB guidance as to how you would like any savings that may be realized by the OWRB to be applied to your loan. The OWRB expects any debt service savings realized may ascend over time and will not be level savings. There are three options for your entity to consider in realizing your share of OWRB's savings, as outlined below:



3800 N. CLASSEN BOULEVARD • OKLAHOMA CITY, OKLAHOMA 73118
TELEPHONE (405) 530-8800 • FAX (405) 530-8900

F. Ford Drummond, Chairman • Linda P. Lambert, Vice Chairman • Tom Buchanan, Secretary
Bob Drake • Marilyn Feaver • Ed Fite • Rudy Herrmann • Jason W. Hitch • Richard C. Sevenoaks



Option 1: Keep your entity's debt service payments the same and pay off your entity's loan sooner. The new final maturity will be subject to the amount of savings realized.

Or

Option 2: Have the final loan maturity remain the same with reduced debt service payments and annual debt service savings from the OWRB applied proportionally to your entity's loan based on the annual loan principal outstanding.

Or

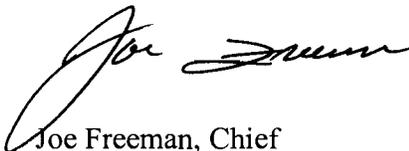
Option 3: Pay off the remaining balance of the loan.

If your entity would like any other option besides these three options described above, your entity will need to describe your desired option and request it in writing to Joe Freeman, Chief, Financial Assistance Division. We request this be done as soon as possible. The OWRB cannot guarantee alternate structures will be permitted, since all structures must be viewed within the context of the OWRB refinancing structure and all the other borrowers' requested savings allocation.

While the timing of any refinancing cannot be currently determined with certainty, the OWRB is targeting closing the refinancing issue on or before October 1, 2013. Because of the time required to work through all the Series 2003 borrower loan requests, we respectfully request the attached form indicating a savings option preference be completed and returned by mail to Joe Freeman no later than Thursday, June 27, 2013. The OWRB appreciates your assistance in meeting this deadline. Should a response not be received by the deadline, OWRB shall assume Option 2 above, with annual savings applied proportionally.

Upon review of this letter, should you have any questions, we suggest that you contact your financial advisor and bond counsel, or Joe Freeman at 405-530-8800.

Sincerely,



Joe Freeman, Chief
Financial Assistance Division

Dear Joe,

We have reviewed the Oklahoma Water Resources Board (the "OWRB") letter dated June 3, 2013 and understand a refinancing of the outstanding OWRB Series 2003 Bonds is being considered to produce net present value savings. We understand that the refinancing is subject to market conditions and any savings are not guaranteed. However, if savings are realized, we have checked the box next to the savings option we request for our loan and understand the refunding savings will be determined by the OWRB.

Option 1: Keep your entity's debt service payments the same and pay off your entity's loan sooner. The new final maturity will be subject to the amount of savings realized.

Or

Option 2: Have the final loan maturity remain the same with reduced debt service payments and annual debt service savings from the OWRB applied proportionally to your entity's loan based on the annual loan principal outstanding.

Or

Option 3: Pay off the remaining balance of the loan.

CLINTON PUBLIC WORKS AUTHORITY
Loan Number ORF-98-0003-DW

Date: _____

Authorized Official's Signature