



# NEWSFLASH!

## Rice Financial Proposes Extended Call Date in Charleston Water Transaction, Reducing Debt Service by \$2.8 Million

In April 2019, Rice Financial shared a cost-saving idea with clients that explored the use of extended call dates in a high coupon/low yield environment. With an easing of the Fed Funds rate by the Federal Reserve expected soon—or, at the very least, a neutral policy—investor demand for bonds maturing from 2034 (15 years) through 2049 (30 years) is increasing. These investors are also continuing to demand premium bonds bearing a 5% coupon that generates significant Original Issue Premium (“OIP”). Rice suggested that issuers can obtain additional benefit from this set of circumstances through a slight extension of the call date, increasing the amount of OIP without affecting the bond yields.

On July 10, 2019, Rice Financial had the opportunity to put this idea into action for the City of Charleston, South Carolina, Commissioners of Public Works (“Charleston Water”). Rice has been a joint senior manager in Charleston Water’s three-member syndicate for 10 years, alongside two large, national, “bulge-bracket” firms.

The July 2019 transaction was a \$129 million issuance of new money, long-term bonds for water and sewer system improvements. During a pre-pricing call two days prior to the bond sale, the syndicate members received a preliminary marketing wire detailing the proposed call provisions. Charleston Water’s typical maturity date is January 1, and the wire indicated a call date of January 1, 2029, for the transaction, which is 9.5 years from the issuance date.

During the pre-pricing call, Rice Financial suggested that Charleston Water consider extending the call date to January 1, 2030, making it a 10.5-year call. Both Charleston Water and its financial advisor agreed. As a result, the call date modification reduced Charleston Water’s debt service by \$2.8 million (\$1.8 million on a present value basis) with no changes to the offering yields.

Rice Financial also provided exceptional service on the day of pricing, placing substantial orders that doubled the amount of orders generated by the other non-book-running, bulge-bracket syndicate member. With ratings of Aaa/AAA and strong investor interest generated from 40 different institutional accounts and nearly \$25 million of South Carolina retail accounts, spreads to both MMD and BVAL were bumped up to 7 bps. The resulting final spreads were all in the single digits, with the short end having spreads up to 6 bps below MMD and BVAL and the 30-year maturity coming in at 9 bps over MMD and BVAL.

**\$129,025,000**



**City of Charleston,  
South Carolina**

Waterworks and Sewer System  
Capital Improvement Revenue  
Bonds, Series 2019

**Joint Senior Manager**

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**Smart. Creative. Rice.**

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