
El Paso Turns Around a Losing Game by Refinancing Stadium Bonds.

When El Paso, Texas, sold bonds three years ago to build a 9,500-seat stadium for its minor league baseball team, Detroit had just gone bankrupt and speculation was rife that the Federal Reserve was poised raise interest rates. The yields were so high they prompted a political outcry over why the deal wasn't done sooner.

Thanks to a turnabout in the market, which has driven municipal borrowing costs to the lowest since 1965, the city has made some of that expensive legacy go away.

El Paso sold $17.7 million of bonds last week, refinancing almost a third of the debt issued in August 2013, for a top yield of 3.4 percent on securities due in 2043. The first time around, the city paid as much as 5.95 percent on the tax-exempt bonds. On a $10 million loan, that difference amounts to about $255,000 a year.
"They're very excited about cutting the cost," said Maria Urbina, the city's financial adviser with First Southwest, a division of Hilltop Securities.

El Paso, with a population of about 680,000 along the Rio Grande, built the new home for the Chihuahuas, a Triple-A franchise of the San Diego Padres, to revitalize its downtown, a development strategy that's been used by cities such as Biloxi, Mississippi, and Hartford, Connecticut.

With the Federal Reserve holding monetary policy steady amid signs of an economic slowdown, El Paso joined another trend: refinancing debt. About $107 billion, or 61 percent, of the new municipal bonds sold during the first five months of the year were used to pay off higher-interest securities, according to Bank of America.

Refinancing will let the city spread out what would have been a $17 million balloon payment in 2023, said Mark Sutter, El Paso's chief financial officer, who took the job after the original bonds were issued.
"This makes our debt service much more manageable," he said.

The stadium was approved in November 2012, when voters signed off on a hotel-tax increase needed to pay for it. While officials initially intended to sell the bonds as soon as possible, that was delayed in part because of a May 2013 city election and ongoing controversy over the ballpark. Its construction required razing the former city hall.

That June, bond prices began tumbling after the Fed said it would wind down its program of buying bonds to hold down interest rates. A month later Detroit filed the largest municipal bankruptcy in U.S. history.

The El Paso stadium bonds priced in late August. Since the start of June, 30-year municipal yields had risen 1.4 percentage points to about 4.7 percent, the highest since 2011, according to data compiled by Bloomberg.

The timing led city council members to call for audits into how the financing was handled. Taylor Moreno, chief of staff for Mayor Oscar Lesser, had no immediate comment.

Yields at more than 50-year lows have allowed the city to rework part of it.

“They couldn’t have caught the market at a better time,” said David Jaderlund of Jaderlund Investments in Santa Fe, New Mexico. “This should produce some good savings for them.”

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