



Refunding Opportunities and Marina Financing Overview

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Proposed Refunding of Public Improvement Revenue and Refunding Bonds, Series 2010A



Types of Refundings

- If the proceeds of the refunding issue are fully expended within 90 days of issuance, the refunding issue is considered a **Current Refunding**
 - Can be done on a tax exempt basis under current tax law
- All other refundings are **Advance Refundings**
 - Refunding closing date is greater than 90 days from the call date on the prior issue
 - The escrow proceeds are generally invested in Treasury Securities or federal agency securities with principal and interest from these investments being used to pay principal and interest due on the refunded issue
 - Tax-exempt advance refundings are no longer allowed (post tax reform), forcing issuers to evaluate different alternatives to achieve economic savings on existing debt, including taxable advance refundings of tax exempt debt



Public Improvement Revenue and Refunding Bonds, Series 2010A – Summary

- The Town issued its Public Improvement Revenue and Refunding Bonds, Series 2010A (the “2010A Bonds”) on February 25, 2010 to (i) finance replacements and improvements to portions of the Town’s sanitary sewer, storm water, street lighting and traffic signal infrastructure and renovations to the Town’s Par 3 golf course and (ii) refund certain indebtedness of the Town
 - Original Par Amount: \$57,035,000
 - Maturity Dates: January 1, 2011 through January 1, 2040
 - Interest Rates: 2.00% - 5.00%
 - Current Par Amount Outstanding: \$4,560,000 (not including 1/1/20 payment)
 - The 2010A Bonds maturing on and after January 1, 2021 are callable at par on or after January 1, 2020



Public Improvement Revenue and Refunding Bonds, Series 2010A – Summary

- In August of 2016, the Town refunded a portion of the 2010A Bonds that were eligible to be advance refunded (\$41,350,000) under the then current tax law provisions
 - The Town generated \$5,902,207 of net present value debt service savings or 14.27% of the refunded bonds par amount
 - This equated to approximately \$330,000 of annual savings through 2040
- Given the current historically low level of interests rates and approaching call date (1/1/20), the remaining 2010A Bonds are a good candidate to be currently refunded for debt service savings



Proposed Public Improvement Revenue Refunding Bond, Series 2019 – Procurement Process

- At the Town's direction, PFM distributed a request for proposals ("RFP") on August 30, 2019 to a list of local, regional and national financial institutions to identify the institution that could provide the Town with a fixed rate, bank qualified term loan at the lowest overall borrowing cost, pursuant to certain conditions as determined by the Town
- Prior to the submittal deadline (2:00 pm on September 19, 2019) the Town received five (5) proposals from the following institutions:
 - BB&T
 - Capital One Public Funding
 - CenterState Bank
 - Professional Bank
 - Sterling National Bank



Proposed Public Improvement Revenue Refunding Bond, Series 2019 – Proposal Summary

- Based on PFM's review and discussions with the Town staff and Bond Counsel, it was determined that Professional Bank provided the best combination of interest rate and terms most favorable to the Town
 - Fixed, tax-exempt interest rate of 2.33%, which would be locked for the entire term of the 2019 Bond
 - Interest rate is held through a closing date on or before October 18, 2019, thus eliminating any risk associated with rising interest rates
 - Includes the ability to prepay the 2019 Bond at any time without penalty.



Proposed Public Improvement Revenue Refunding Bond, Series 2019 – Refunding Summary

- Based on the proposal provided by Professional Bank, PFM estimates the following refunding statistics:
 - Refunded Bonds Par Amount: \$4,560,000
 - Interest Rate: 2.33%
 - Gross Debt Service Savings: \$1,458,000
 - Net Present Value Debt Service Savings: \$1,163,000
 - % Net Present Value Debt Service Savings: 25.5% of the refunded bonds par amount
 - Approximate Annual Debt Service Savings: \$70,000 through 2040 (no extension of final maturity)
- Based on the fixed interest rate and acceptable terms and conditions provided in their proposal, PFM recommends selecting Professional Bank as the loan provider for the Public Improvement Revenue Refunding Bond, Series 2019 and approving the Bond Resolution



Other Refunding Opportunities



Public Improvement Revenue Bonds, Series 2013 – Summary

- The Town issued its Public Improvement Revenue Bonds, Series 2013 (the “2013 Bonds”) on December 19, 2013 to finance components of the Town’s capital improvement plan and coastal management plan
 - Original Par Amount: \$55,590,000
 - Maturity Dates: January 1, 2015 through January 1, 2043
 - Interest Rates: 4.00% - 5.00%
 - Current Par Amount Outstanding: \$50,640,000
 - The 2013 Bonds maturing on and after January 1, 2025 are callable at par on or after January 1, 2024
- Since the 2013 Bonds are not callable until January 1, 2024, they are not eligible for a current refunding
- However, given the current historically low level of interests rates, PFM has analyzed whether a taxable advance refunding could generate sufficient debt service savings to move forward with a refunding



Public Improvement Revenue Bonds, Series 2013 – Taxable Refunding Summary

- Based on current market conditions and an assumed AA+ credit rating, PFM estimates the following refunding statistics:
 - Refunded Bonds Par Amount: \$44,295,000
 - All In True Interest Cost: 2.92%
 - Gross Debt Service Savings: \$6,381,000
 - Net Present Value Debt Service Savings: \$4,701,000
 - % Net Present Value Debt Service Savings: 10.62% of the refunded bonds par amount
 - Approximate Annual Debt Service Savings: \$275,000 (no extension of final maturity)



Public Improvement Revenue Bonds, Series 2013 – Sensitivity Analysis

- The table below shows how interest rate changes as well as timing of refunding (taxable advance vs. tax exempt current) will impact the debt service savings

	Taxable Advance Refunding @ Current Rates	Taxable Advance Refunding @ Current Rates	Taxable Advance Refunding @ Current Rates + 25 bps		Tax Exempt Current Refunding @ Current Rates	Tax Exempt Current Refunding @ Current Rates + 150 bps
Closing Date	1/1/2020	1/1/2021	1/1/2021		10/1/2023	10/1/2023
Net Present Value Debt Service Savings	4,701,000	5,739,000	4,409,000		10,445,000	4,466,000
% Savings	10.62%	12.96%	9.95%		23.58%	10.08%
Annual Savings	275,000	350,000	275,000		660,000	325,000



Marina Financing Overview



Marina Financing Overview

- The Town is in the preliminary stages of developing a plan of finance to fund improvements to the Town's marina
- Based on preliminary figures, the Town estimates the total cost of the project to be \$36 million with between \$25 - \$27 million being financed
- Given the desire for optional prepayment, the issuance of a direct placement bank loan to fund the project will provide the Town the most flexibility
- Others items to consider in development of the plan of finance
 - Longer term amortization with option to prepay (10 – 20 years)
 - Line of Credit (LOC) vs. Fully Drawn Loan at Closing
 - LOC would likely be variable rate during the draw period, but would allow funds to be drawn down as needed
 - Fully drawn loan at closing can lock in fixed interest rate at closing and invest proceeds until used for project costs



Marina Financing Overview

- The estimated annual debt service payments based on a \$27 million project would be as follows using conservative interest rate assumptions:
 - 10 Year Repayment: \$3,085,000 (assumed 2.50% rate)
 - 15 Year Repayment: \$2,221,000 (assumed 2.75% rate)
 - 20 Year Repayment: \$1,815,000 (assumed 3.00% rate)
- Proposed Timeline:
 - December 2019: Distribute RFP for Loan Provider
 - January 2020: Receive Proposals
 - February 2020: Present Proposals to Town Council
 - March 2020: Award Construction Contract
 - March 2020: Close Financing