



## Agenda Item Summary

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**File #: 23-00464**

**Agenda Date: 8/22/2023**

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**Agenda Item Name:**

**Capital Improvement Revenue Note Series 2023**

**Presenter:**

Todd Hutchison, Finance Director, Clerk of Court, 352-374-3605/Tommy Crosby, OMB Director, 352-374-5262

**Description:**

Presentation of Capital Improvement Revenue Note, Series 2023, documents that must be executed to issue debt to finance the acquisition, construction, and equipping of the armory building and remodel of same for a new emergency operations center and fire administration building in and for the County.

**Recommended Action:**

Adopt the authorizing resolution and if applicable, budget amendment and authorize the Chair and Clerk to sign all bond closing documents at the pre-closing meeting tentatively scheduled for August 23, 2023.

**Prior Board Motions:**

None

**Fiscal Note:**

Financing is being used for acquisition of armory building and remodel, not to exceed \$8,000,000. Fund 346 will be used for the capital purchase and related work; Fund 291 will be used for the debt service payments.

**Strategic Guide:**

Public Safety

**Background:**

At the County's direction, PFM distributed a request for proposals ("RFP") on June 8, 2023, to a list of local, regional and national financial institutions to identify the institution that could provide the County with a tax-exempt fixed rate, non-bank qualified term loan at the lowest overall borrowing cost, pursuant to certain conditions as determined by the County. Prior to the submittal deadline (2:00 pm on July 6, 2023) the County received nine (9) proposals from the following institutions: Bank of America, Capital One, Flagstar, JPMorgan, Regions, TD, Truist, Webster and Wells Fargo. A summary of each proposal is attached.

Of the 9 proposals, Wells Fargo offered the lowest interest rate option for the 15-year term at 3.94% which includes a make whole call. In comparison, Regions offered an interest rate of 4.21% but included full prepayment flexibility after two years with no penalty. With the present value of 1 basis point (PV01) valued at approximately \$5,600, the approximate cost of this call flexibility is \$151,200  $[(4.21\% - 3.94\% = 27 \text{ bps}) \times \$5,600]$ . This equates to approximately \$14,000 in additional interest paid each year.

With Regions' proposal, if rates are 50 bps lower in 2 years, the County could refund the 2023 note for present value savings of ~3.00%. To achieve present value savings of ~5.00%, rates would need to be 80 bps lower between 2-3 years from now. Estimates illustrated below:

Refunding Date: 8/1/2025  
Potential Interest rate: 3.40%  
Projected NPV Savings: 5.20%  
Total Cashflow savings over remaining life = \$450k

Refunding Date: 8/1/2026  
Potential Interest rate: 3.40%  
Projected NPV Savings: 4.80%  
Total Cashflow savings over remaining life = \$400k

Based on PFM's review and discussions with County staff and Bond Counsel, it was determined that Regions provided the best combination of interest rate and terms most favorable to the County. Given a 15-year term, and volatility in the debt capital markets over the past couple years, we believe the call-option value of total prepayment flexibility after 2 years is potentially greater than the additional interest paid each year leading up to a refunding