



AGENDA REQUEST & STAFF REPORT

MEETING DATE: September 13, 2023

SUBJECT: Authorization of Issuance of Debt for Courthouse Expansion and Potential Refinancing

RECOMMENDED MOTION:

Move approval of Resolution 2023-051 Authorizing Financing of a Project in a Principal Amount not to Exceed \$20,500,000 and Refunding the County's Full Faith and Credit Bonds

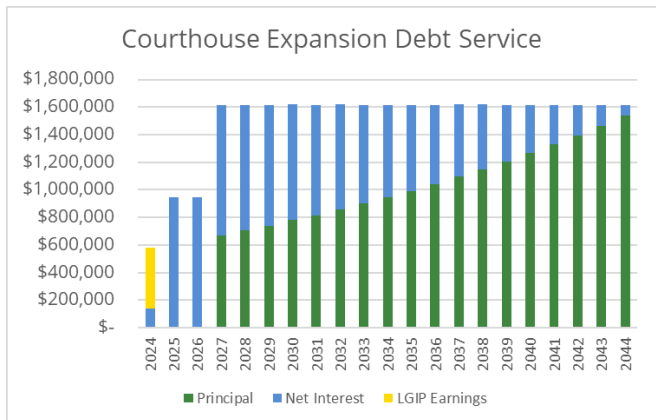
BACKGROUND AND POLICY IMPLICATIONS:

Courthouse Expansion Project

The Board of County Commissioners approved the Courthouse Expansion Project, with an estimated cost of \$40.5 million. The Oregon Legislative Assembly allocated \$15 million to the project through Senate Bill 5506 (2023) out of the State's General Fund. In May 2023, the Budget Committee approved \$5 million toward the project, comprised of \$4.6 million from ARPA Local Assistance and Tribal Consistency Funds (LATCF) and \$400,000 from discretionary ARPA interest earnings. The Board adopted the budget allocations in June 2023. There remains \$20.5 million needed from debt financing to fund the project.

Finance met with PFM Financial Advisors to discuss options of issuing bonds in October 2023 or April 2024. After evaluating the potential costs and benefits of issuing debt in either timeframe, we ended up with an October/November timeframe. Issuing bonds earlier would add additional costs but would mitigate interest rate risk associated with a later sale. Given the inverted yield curve (relatively high short-term investment rates), issuing bonds early may reduce net interest expense by increased interest earnings for the six-month period.

Preliminary analysis estimates a true interest cost at 3.96%, par amount of bonds issues at \$18.6 million, and total debt service of \$30.6 million. Annual debt service payments are estimated at \$1.6 million.



Refunding 2013 Bond

On July 24, 2013, the County issued \$8.4 million in Full Faith & Credit Obligations, with a final maturity of June 1, 2038, to finance the expansion of the Deschutes County Adult Jail, including building a medium/maximum security inmate housing unit, the conversion of a dorm unit into a medical and mental health segregation unit, and building an outdoor recreating unit, among other projects.

The County's outstanding 2013B Bonds became callable on June 1, 2023. As part of the County's 2022 Full Faith & Credit financing for the Negus Transfer Station, the Board of County Commissioners authorized the refinancing of these outstanding maturities. However, due to market conditions at the time the 2022 obligations were sold, the County elected not to include the refunding as part of that transaction. Approximately \$6 million remains outstanding.

Current analysis indicates potential savings refunding the 2013 obligations of over approximately \$30,000 annually for the remaining 15 years of the bond. This produces a cash flow savings of \$457,520 and a net present value savings of \$228,201, as follows:

SAVINGS

Deschutes County, Oregon
Full Faith & Credit and Refunding Obligations, Series 2023
Assumes AA+ Muni BVAL as of 8/9/2023 + 25 bps
(Preliminary - Subject to Change)

<i>Date</i>	<i>Prior Debt Service</i>	<i>Refunding Debt Service</i>	<i>Present Value Savings @ 3.6203112%</i>	<i>Present Value to 11/30/2023</i>
06/30/2024	545,381.26	537,761.11	7,620.15	9,696.02
06/30/2025	543,581.26	509,000.00	34,581.26	32,633.83
06/30/2026	546,381.26	516,250.00	30,131.26	27,420.44
06/30/2027	543,581.26	512,500.00	31,081.26	27,299.44
06/30/2028	545,381.26	513,250.00	32,131.26	27,238.77
06/30/2029	546,581.26	513,250.00	33,331.26	27,272.70
06/30/2030	547,181.26	517,500.00	29,681.26	23,430.74
06/30/2031	547,181.26	515,750.00	31,431.26	23,954.06
06/30/2032	546,581.26	513,250.00	33,331.26	24,522.94
06/30/2033	544,875.00	515,000.00	29,875.00	21,210.89
06/30/2034	542,550.00	510,750.00	31,800.00	21,795.91
06/30/2035	542,975.00	510,750.00	32,225.00	21,311.58
06/30/2036	547,500.00	514,750.00	32,750.00	20,898.75
06/30/2037	545,900.00	512,500.00	33,400.00	20,566.25
06/30/2038	543,400.00	509,250.00	34,150.00	20,291.20
	8,179,031.34	7,721,511.11	457,520.23	349,543.53

Source: PFM Financial Advisors LLC

Savings Summary

PV of savings from cash flow	349,543.53
Less: Prior funds on hand	(125,190.63)
Plus: Refunding funds on hand	3,847.76
	228,200.66
Net PV Savings	228,200.66

Source: PFM Financial Advisors LLC

BUDGET IMPACTS:

The issuance costs of approximately \$150,000 will be covered by bond proceeds. For the Courthouse Expansion Project, future annual debt service payments of approximately \$1.6 million will be paid by the General Fund, including transfers from the Transient Room Tax Fund. These debt service costs have been factored into the long-term General Fund financial forecast. For the refunding bond, future debt services payments will continue to be paid by the Sheriff's Office and General Fund, with savings of approximately \$30,000 annually.

ATTENDANCE:

Robert Tintle, Chief Financial Officer
Lee Randall, Facilities Director