



# City of Madeira Beach

## Refunding of 2013 Capital Improvement Revenue Bonds

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## Overview of 2013 Bonds & Bank Loan RFP

- \$3,620,000 of the City's Capital Improvement Revenue Bonds, Series 2013 are available to be currently refunded without any prepayment penalty
- The City's Financial Advisor (PFM) circulated a Bank Loan RFP to over 70 banking institutions to gauge interest in the refunding opportunity
  - Responses from Lenders were due by June 3<sup>rd</sup>
  - Requested fixed rate, tax-exempt bank loan offers to match the current 18-year remaining term of the 2013 Bonds
- The City received two term sheets to the Bank Loan RFP
  - Republic Bank
  - Webster Bank



## Summary of Bank Loan RFP Responses

- **Republic Bank**

- Fixed Rate of 5.30% for first 5-years, subject to interest rate being reset every 5-years (interest rate not held to maturity)
- Based on Republic Bank's proposal, a refunding of the 2013 Bonds would not produce savings

- **Webster Bank**

- Fixed Rate of 4.60% held through 2043 maturity date
- Optional Call Provisions
  - Years 1-5: Non-Callable
  - Years 6-7: 2% Prepayment Penalty
  - Year 8: 1% Prepayment Penalty
  - After Year 8: Prepayable without Penalty



## Refunding Savings and Issuance Costs

- Based on the Webster Bank term sheet, a refunding of the 2013 Bonds is expected to result in approximately \$37,000 (1%) Net Present Value Savings (NPV)
  - The \$37,000 of NPV Savings is after payment of issuance costs
- Equates to approximately \$3,000 per year of annual debt service cash flow savings through 2043 (total of \$56,000)
- The costs related to issuance (to be paid by the bank loan proceeds) is equal to approximately \$59,000 as detailed below:

Costs of Issuance	Amount
Bond Counsel Fee	\$20,000.00
Bond Counsel Expenses	2,500.00
City Attorney Fee (est)	15,000.00
Financial Advisor Fee	15,000.00
Financial Advisor Expenses	500.00
Lender's Counsel Fee	5,000.00
Miscellaneous	<u>1,166.67</u>
<b>Total</b>	<b>\$59,166.67</b>



## Additional Benefits of Refunding 2013 Bonds

- The 2013 Bonds are the City's only Public Debt Issuance, other debt financings are direct bank loans
- Public Debt Issuances require ongoing additional administrative work and expenses compared to bank loans:
  - Credit Ratings: require updates with Moody's Investor Service
  - Continuing Disclosure: public posting of material events and financial information
- If the 2013 Bonds were refunded the City could end its engagement with Digital Assurance Certification (DAC), which assists the City with Continuing Disclosure
  - Would save \$2,500 per year in DAC fees, estimated total of \$45,000 savings over the next 18-years
- With the prepayment flexibility of the Webster Bank offer, the City will have the opportunity to refund again in the future (after 5-years) for more savings if the interest rate environment trends lower



## Madeira Beach Options Moving Forward

- The City can either elect to proceed with Webster Bank offer OR elect to reject all offers

### **Proceed with Webster Bank Offer**

- Webster Bank is willing to hold the fixed rate until July 31<sup>st</sup>
- Tentative Schedule for Closing 2025 Refunding Bank Loan:
  - June 27<sup>th</sup>: Bond Counsel Drafts Financing Documents
  - July 2<sup>nd</sup>: Agenda Deadline for July 9<sup>th</sup> City Commission Meeting
  - July 9<sup>th</sup>: Commission Meeting to Approve Refunding Bank Loan
  - July 31<sup>st</sup>: Closing of 2025 Refunding Bank Loan

### **Reject All Offers**

- City can wait and see if interest rates decline and re-circulate Bank Loan RFP in the future
- No costs to be paid by City if it is decided to reject all responses at this time



## Potential Savings in Lower Interest Rate Environment

- Due to the relatively small amount of outstanding principal (\$3,620,000), the potential savings in the future are limited
- Below is an example of estimated debt service savings if interest rates reduced 0.20% - 0.80% from the proposed 4.60% interest rate of the Refunding Bank Loan

	3.80% Rate	4.00% Rate	4.20% Rate	4.40% Rate	4.60% Rate
Total NPV Savings (\$)	\$275,000	\$212,000	\$150,000	\$89,000	\$37,000
Total NPV Savings (%)	7.6%	5.8%	4.1%	2.4%	1.0%
Annual Cash Flow Savings	\$21,000	\$16,000	\$12,000	\$7,000	\$3,000
Total Cash Flow Savings	\$386,000	\$303,000	\$218,000	\$132,000	\$56,000

- For example, if the interest rate on the Refunding Bank Loan was 0.80% lower (3.80%) the City could expect annual cash flow savings would increase approximately \$18,000



# Disclosures

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