

Memorandum

TO: Town Commission
FROM: Tom Harmer, Town Manager
DATE: June 21, 2019
SUBJECT: Resolution 2019-12, General Obligation Refunding Note, Series 2019

Recommended Action

Pass Resolution 2019-12, and execute Certificate of Public Hearing and No Conflict of Interest.

Background

The Town issued its General Obligation Note, Series 2009 in the amount of \$9,250,000 dated July 22, 2009 at an interest rate of 5.20% for various capital improvements to the Town's Water and Wastewater Utility System.

The original 2009 loan agreement did not allow for prepayment (with the exception of a one-time State revolving fund loan related prepayment) until an interest payment date on or after July 22, 2019 (or initially on October 1, 2019). While not legally required to, the lender (BB&T) agreed to refinance a portion of the Note in 2014, at an interest rate of 3.09% without a prepayment penalty, so long as it remained the lender on the new loan.

BB&T is now offering to refund the remainder of the outstanding 2009 Note (\$1,644,400) prior to the allowable October 1, 2019 prepayment date. They have proposed a fixed rate of 2.41% with no prepayment penalty, while maintaining the same final maturity of October 1, 2022 as the outstanding 2009 Note. The current rate being refunded is 6.32%

The Town's Financial Advisor, Hilltop Securities Inc., has analyzed this new refunding opportunity and advised that the Town could achieve a net present value savings, net/after closing costs, of approximately \$54,000 assuming the new loan is closed on July 3, 2019. This savings will be achieved through a reduction in remaining debt service payments through October 1, 2022. A summary of the financing results can be found on the following page.

In addition to the recommended approval of this Resolution, Commissioners are also required to sign a certificate confirming a noticed public hearing was held, and that they have no conflict of interest.

Staff Recommendation

Pass Resolution 2019-12, and execute Certificate of Public Hearing and No Conflict of Interest.

Summary of Financing Results
General Obligation Refunding Note, Series 2019

Savings Summary

Total Savings	\$61,270
Present Value Savings (\$)	\$53,983
Present Value Savings (% of Refunded Principal)	3.28%

New Issue Statistics (Series 2019)

Assumed Closing Date	7/3/2019
Final Maturity Date	10/1/2022
New Principal Amount	\$1,360,000
Closing Costs	\$42,248
Bank Rate	2.41%
All-In True Interest Cost	4.14%

Prior Issue Statistics (Series 2009)

Principal Outstanding	\$1,644,400
Principal Refunded	\$1,644,400
Final Maturity Date	10/1/2022
Interest Rate Refunded	6.32%
Prepayment Date/Price	7/3/2019 @ 100%

Notes

- Savings is net of closing costs and contributions at closing.
- Present value savings is calculated using the All-In TIC.
- Refunding loan size assumes a Town contribution of \$353,207 at closing.
- Refunded Series 2009 interest rate based upon an increase to the original interest rate upon a change in the maximum corporate tax rate.

End of Agenda Item