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Agenda Submittal

Agenda #:	29	**Status:**	Received and Filed
Type:	Report	**Department:**	Treasurer-Tax Collector-County Clerk
File #:	17-511	**Contact:**	Michael Cooper, 784-6312
Agenda date:	7/25/2017	**Final action:**	8/1/2017
Title:	Authorize the refunding of the 2007 Certificates of Participation and provide direction to staff regarding the preferred refunding debt structure (continued from the July 25, 2017 Board meeting)		
Governing body:	Board of Supervisors		
District:	All		
Attachments:	1. A - Scenario 1, 2. B - Scenario 2, 3. C - Summary, 4. Presentation		

Date	Ver.	Action By	Action	Result
8/1/2017	1	Board of Supervisors	Approved	
7/25/2017	1	Board of Supervisors	Continued	

Published Notice Required? Yes ____ No _X_
Public Hearing Required? Yes ____ No _X_

DEPARTMENTAL RECOMMENDATION:

It is recommended that the Board review and authorize refunding of the 2007 Certificates of Participation and provide direction to staff on the preferred refunding debt structure.

SUMMARY/DISCUSSION:

The county has a potential opportunity to refund the 2007 Certificates of Participation (COPS) that were in turn a refunding of the 2002 COPS that were originally issued to finance the construction of the County Government Center, Parking Garage, Probation Building and other county facilities.

In preparation of the refunding, county staff requested information on the potential savings from various potential refunding scenarios. In consultation with the county's Financial Advisor, the Board is being presented with the two most viable options, designated as Scenario 1 and Scenario 2. Information presented in these scenarios is based on a best estimate of expected market yields at the time of bond issuance. As market interest rates change, the actual savings derived from either scenario is expected to vary from the amounts presented; however, the difference in savings between the two scenarios is anticipated to remain reasonably close to the amount shown.

As shown on Summary Page 1 (Attachment C), preliminary analysis (based on summer 2017 interest rate market conditions) of the proposed refunding shows a potential Net Present Value (NPV) savings between $10,488,705 in Scenario 1 over the remaining years of debt payment and $12,687,304 dollars in Scenario 2 over the remaining years of debt payment. These NPV savings equate to 12.46% and 15.07% of the total refunded par value respectively.

For clarification, dates showing within the analysis as 06/30 of a given year are in reference to the given fiscal year that ends on the year date indicated. Bonds maturing in the given fiscal year are scheduled to mature November of the prior calendar year. Fiscal year amounts are included for budget comparisons.

The variance in NPV savings is the result of changes in the assumptions or terms for the refunded COPS for interest rate and debt payment, and total duration between the two scenarios.

Scenario 1 Uniform in Savings (Attachment A) is structured to achieve approximately equal annual cash flow savings per year when comparing the current cashflow to the proposed 2017 COPS. The term of the debt structure remains the same (16 years) as the current 2007 COPS. Not accounting for NPV changes, the average amount of savings that may be realized annually is $783,043 for the remaining term of the COPS (16 years), resulting in accumulated savings of $12,528,656.

Scenario 2 Shorten Final Maturity (Attachment B) is structured to maintain cash flow (payments) at approximately the same level as the existing 2007 COPS, and as a result, reduce the total time required to repay the outstanding debt. The term of the debt structure is shortened by two years compared to the current 2007 COPS. Not accounting for NPV changes, the average cash flow savings for the first thirteen calendar years is $3.054 per year, for a total of $39,697. The additional cash flow savings from the end of the proposed schedule to the end of the existing 2007 Cops is $17,497,914, for a total savings of $17,537,609, again not accounting for NPV changes.

As a result of the reduced final term of Scenario 2, it has a 0.31% lower True Interest Cost (TIC) of 2.43% when compared to the TIC of Scenario 1 at 2.74%.

The County Administrator recommends that the Board consider selecting Scenario 1 over Scenario 2 in order to reinvest the potential annual savings beginning in FY2017/18 and begin to fund necessary deferred maintenance activities and new capital projects inside the Government Center Building. One example of a future capital project is to build out the sixth and fifth floors cold shell areas into conference and office workspaces. The county would benefit from moving employees that are currently working in leased workspace into the Government Center, reducing the footprint of county facilities. In addition, given the operational shortfall in the General Fund and the current practice of pulling out funds from the General Fund for deferred maintenance projects, this COPS refunding provides additional financial resources that can be reinvested in maintaining county facilities.

FINANCIAL IMPACT:

Dependent upon the Scenario selected by the Board, the county may realize a reduction in debt cost and associated savings.

ALTERNATIVES:

As an alternative the Board may choose the following:

1. Not to designate a preferred COPS financing structure. This is not recommended as there is an opportunity to reduce COPS cost and it won't provide staff the direction and authorization needed in establishing the structure of the proposed refunding.

2. Proceed with Scenario 2 however this is not recommended as it only shortens the term of the loan with no cash flow savings in the current period. Whereas, Scenario 1 as recommended provides annual cash flow savings over the duration of the loan. These savings will be used to finance the construction and maintenance of County Government Center, Parking Garage, Probation building and other county facilities.

OTHER AGENCY INVOLVEMENT:

The Debt Advisory Committee has reviewed this request.

CAO RECOMMENDATION:

APPROVE DEPARTMENTAL RECOMMENDATION