



Office of the Finance Director/Treasurer

To: Mayor Welch, Common Council Members
From: Dan Nelson, Finance Director/Treasurer
Date: March 3, 2020
Subject: **UPDATED:** Discussion and Possible Action regarding the refinancing of existing City debt

Discussion and Background

Due to the recent unprecedented drop in interest rates, Baird Financial Consultants reached out to the City of Milton with a refinancing scenario on the City's existing debt that has the potential to save over \$290,000 over the next 10 years. The potential refinancing would be of the 2011B bonds, the 2013A bonds, and the two 2019 bank notes with First Community Bank and Bank of Milton. These issues were used to finance the Department of Public Works facility that was built in 2011, the City Hall/Police Department Building that was completed in 2014, and the sanitary sewer lift station work that was completed along Parkview Drive in 2019.

UPDATED – Refinance all three previous debt issues

The City is in a unique situation to be able to guarantee savings on its remaining levy supported general obligation debt from 2013 and prior. After accounting for issuance costs, the tax levy for debt service and TID #10 will likely save \$230,000 and \$60,000, over the next 10 years respectively.

The estimate is the tax levy supported portion of the debt could save \$6,000 - \$27,000 annually until 2033 and TID #10 could save \$6,000 - \$15,000 annually until 2028. The chart, as prepared by Baird, is attached showing the breakdown in annual potential savings. The illustration assumes the city will pay issuance costs (\$56,375) up front.

Other Factors

Important factors regarding the potential refinancing:

1. The actual rate as attached could be higher or lower than shown and the earliest the refinanced interest rate could be locked would be after the March 17, 2020 meeting. The bank will lock the rate once they review the City's credit profile and approves loan which will not start until the Council authorizes Baird to proceed with the bonding.
2. Earliest Council meeting for approval of the actual refinancing bond would be at the April 8, 2020 meeting.
3. The new bond could be partially paid off by providing the Issuer a 30 day notice at any time.



Issuance Costs

The following is a breakout of the issuance costs:

	Levy		
	Supported	TID #10	Total
Placement Agent	\$ 15,000	\$ 8,000	\$ 23,000
Bond Counsel	18,000	7,000	25,000
Verification Agent	2,500	-	2,500
Escrow Agent	2,000	-	2,000
Bank Purchasers Fee	3,500	-	3,500
Fiscal Agent	250	125	375
	<u>\$ 41,250</u>	<u>\$ 15,125</u>	<u>\$ 56,375</u>

The last issuance that was similar in nature (2016 refinancing bond), included a Municipal Advisor and rating agency fee, which were over \$49,000. These fees not applicable to this type of issuance. The “new” fees on this proposed refinancing issuance are the verification agent and bank purchasers, but are significantly smaller than in the previous issuance costs.

Timing and next steps

March 3, 2020 meeting: Introduction of the concept and discussion with the Council to gauge interest in pursuing the opportunity.

March 17, 2020 meeting: Bring forth a firm refinancing rate and analysis including the potential of including the 2013A bond. Assuming the terms are still acceptable to the Council, a rate lock could be confirmed.

April 8, 2020 meeting: Approval of the actual new bond which would lock in the savings that would have been discussed on March 17.

Recommendation

Direct City staff to work with Baird Financial Consultants to finalize the terms of the loan(s) on the refinancing package.