



REPORT TO CITY COUNCIL

TO: The Honorable Mayor Members of the City Council

THRU: Debra M. Irvin, City Manager

FROM: Keidra King, Finance Director

DATE: October 21, 2019

SUBJECT: Meeting with Bond Council

BACKGROUND

Bi-Annual meeting with bond council to insure that the city is in compliance with current standards. The firm representing the City of Berkeley for the current bond issues is Gilmore & Bell PC and the Attorney is Shannon Creighton.

SUPPORTING DOCUMENTS

Stifel, Nicolaus & Company Incorporated Report

OPTIONS

During the meeting I update Shannon on the city's plan to refund (refinance) the current bond issue to save on the interest expense over the rest of the life of the lone. I also provided her with the city's continuing discloser documentation so that it be loaded to all necessary agencies.

The other subject that was raised during the meeting was adding to the city's debt. She has reviewed our most current audited financial statements and been made aware of the fact that the city may be looking to issue between \$3,000,000 and \$7,000,000 of additional debt for the new Community Center. According to her review the city is well within its debt limits with these amounts. Shannon did suggest that the refunding and new debt take place at the same time and soon to save money on the cost of issuance and take advantage of the current market.

The only thing that she mentioned is there will need to be discloser in the documentation for the any fiscal year that the annual audit was not posted by December 27th, which is 180 days after the close of the fiscal year. She did not see this as an issue as the city has not been more than thirty days out of the posting window. The City of Berkeley is current with all postings and disclosers.

IMPACT ON BUDGET

The impact to the budget will be dependent on if the council decides to refund the current bonds and /or add and additional debt for the community center. The estimated budget impact is detailed in the attached Stifel, Nicolaus & Company Incorporated Report.

RECOMMENDATION

Review the enclosed information.

Respectfully submitted,

Keidra L. King

September 23, 2019

Debra M. Irvin, City Manager
 Keidra King, Finance Director
 City of Berkeley, Missouri
 8425 Airport Rd
 Berkeley, MO 63134

Re: City of Berkeley, Missouri | New Money and Refunding Analysis

Dear Ms. Irvin and Ms. King:

Based on discussions with the City regarding the funding for a new community center, Stifel has provided the following summary of the estimated annual payments based on project amounts of \$3 million, \$5 million and \$7 million as well as terms of 15 years and 20 years. Under current market conditions, we estimate that the City’s cost of borrowing would be approximately 3.50%. With the current market volatility, we have included the annual costs should interest rates increase to 3.75% and 4.00%.

15 Year Lease*					
		Interest Rate			
		3.50%	3.75%	4.00%	
Project Amount	\$3,000,000	\$273,500	\$278,400	\$283,300	Average Annual Debt Service
	\$5,000,000	\$447,100	\$455,100	\$463,200	
	\$7,000,000	\$620,800	\$631,900	\$643,100	

20 Year Lease*					
		Interest Rate			
		3.50%	3.75%	4.00%	
Project Amount	\$5,000,000	\$362,400	\$370,600	\$378,900	Average Annual Debt Service
	\$7,000,000	\$503,100	\$514,500	\$526,100	

- * 1. Preliminary and subject to change.
- 2. The City's actual results may differ, and Stifel makes no commitment to underwrite at these levels.
- 3. Based on level debt service.
- 4. Costs of issuance and underwriter's discount are estimates for discussion purposes.

Additionally, Stifel has prepared a refunding analysis of the City’s outstanding Series 2010B Taxable Build America Certificates of Participation (“2010B Certificates”), which are callable on May 1, 2020, for your review. Since the 2010B Certificates were originally issued for tax-exempt qualified project, they are eligible to be advance refunded on a tax-exempt basis,

subject to bond counsel approval. The 2010B Certificates were issued as Build America Bonds, subject to direct pay government subsidy payments of up to 35% of the interest on the 2010B Certificates. The sequestration rate for the 2020 federal government fiscal year is 5.90%, meaning the City is receiving approximately 32.935% in interest subsidy payments. The following analysis is based on the 32.935% interest subsidy level. The analysis shown below assumes that the refunding is completed as an Advance Refunding of all 2010B Certificates in December of 2019 based on current market tax-exempt interest rates. The ability to advance refund the 2010B Certificates on a tax-exempt basis is subject to Bond Counsel approval.

A summary of the historical sequestration rates is found below:

BABs Subsidy Rate by Federal FY		
Federal FY	Sequestration Rate	BABs Subsidy Rate
2009	0.00%	35.000%
2010	0.00%	35.000%
2011	0.00%	35.000%
2012	0.00%	35.000%
2013 ¹	8.70%	31.960%
2014	7.20%	32.480%
2015	7.30%	32.450%
2016	6.80%	32.620%
2017	6.90%	32.590%
2018	6.60%	32.690%
2019	6.20%	32.830%
2020	5.90%	32.935%

¹ 2013 Sequestration went into effect on March 1, 2013 and impacted payments through the end of government FY 2013 (September 30, 2013)

The 2010B Certificates were issued with cash funded DSRF. In today's market, many issuers have issued certificates without a DSRF without negative ratings effects. This financing assumes no DSRF is funded. The existing DSRF is assumed to be contributed to the refunding to downsize the new issue. This analysis would need to be approved by Bond Counsel.

Please note that the estimated savings amounts mentioned on the following page are net of an assumed amount for the costs of issuing these certificates and are based on substantially level debt service savings.

Advance Refunding*	
Assumed Closing Date	December 15, 2019
Par Amount Issued	\$5,950,000
Maturities Refunded	Series 2010B
Par Amount Refunded	\$6,385,000
Call Date for Refunded Certificates	May 1, 2020 @ 100%
Net Debt Service for Refunding Certificates	\$8,085,324
Structure and Maturities	May 1, 2020 - 2035
All-In True Interest Cost	3.542%
Cumulative Savings	\$1,093,030
Average Annual Savings	\$68,300
Net Present Value Savings	\$451,525
Percentage Savings	7.072%
Cost of Inefficient Escrow	\$26,837
Inefficiency as a % of Par	0.451%

1. Preliminary and subject to change.
2. The use of the 'BBB+' rating is consistent with the rating of the outstanding prior certificates.
3. Interest rate assumptions are based on current market conditions and similar credits.
4. Actual results may differ, and Stifel makes no commitment to underwrite at these levels.
5. Costs of issuance and underwriter's discount are estimates for discussion purposes.
6. Analysis was performed with no changes to the term or the structure of the debt service from the currently outstanding issue

**Subject to Bond Counsel approval*

We hope you find this information helpful and in the meantime, if you have any questions about this information please feel free to give me a call at (314) 342-8467.

Sincerely,



Martin J. Ghafoori
Director

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