



September 13, 2019

Memorandum

To: JP Murphy, Town Manager
From: Jay Glover, Managing Director -- PFM Financial Advisors LLC
Re: Transaction Overview

The Town of Belleair (the "Town") has engaged PFM Financial Advisors LLC ("PFM") to assist with the issuance of revenue bonds to refund outstanding debt for debt service savings as well as to fund capital improvement projects. Currently the Town has a Capital Improvement Revenue Bond, Series 2012 (the "2012 Bond") outstanding in the par amount of \$7,270,000 with BB&T at an interest rate of 3.61%. The 2012 Bond is callable on any principal payment date (October 1) at a prepayment price of 101% of the par amount. Given the current historically low interest rates, the Town has an opportunity to refund the 2012 Bond for debt service savings. It is our understanding that the Town also has approximately \$4.7 million of new money capital projects to be funded. PFM has worked with Town staff to develop a cost effective plan of finance to undertake the refunding and fund the new money capital projects.

The initial step in developing the plan of finance was to discuss with BB&T their willingness to provide flexibility to the Town as it relates to the prepayment date and premium on the 2012 Bond. After internal discussions, BB&T provided a term sheet for the issuance of refunding and new money bonds, which included a waiver of the prepayment penalty (savings of \$72,700) and allows the refunding to occur on any date. By allowing a prepayment on any date, the Town does not have to wait an additional year (10/1/20) to undertake the refunding, which equates to approximately \$84,000 of additional savings. As part of the concessions provided by BB&T, they will provide two new loans to the Town at a bank qualified interest rate of 2.46%.

If approved, the Town would issue a Capital Improvement Refunding Bond, Series 2019A (the "2019A Bond") in the approximate par amount of \$7.3 million to refund the outstanding 2012 Bond. The refunding will generate \$530,000 of net present value debt service savings. This equates to approximately \$50,000 per year through 2032 (no extension of maturity). The Town would also issue a Capital Improvement Revenue Bond, Series 2019B (the "2019B Bond" and collectively with 2019A Bond, the "Bonds") in the approximate par amount of \$4.7 million to fund new money capital projects. The 2019B Bond would need to be issued 15 days or more apart from the 2019A Bond for tax purposes. In Exhibit A to this memo, we provide tables that demonstrate the debt service savings as well as the combined debt service on the 2019 Bonds.

One other element of the BB&T term sheet to consider is the call option on the 2019 Bonds. BB&T offers two options: (1) non-callable for the first 5 years and prepayable in whole without penalty at any time thereafter or (2) prepayable in whole at any time with a 1% prepayment penalty. Given the current historically low level of interest rates (2.46%), the ability to refund the 2019 Bonds over the next 5 years for debt service savings is remote. As such making the 2019 Bonds non-callable for 5 years does not limit flexibility. However, there might be a time as the final maturity approaches where the Town might desire to pay off or restructure the 2019 Bonds. By structuring the call option as outlined in #1 above, the Town would have flexibility to pay off or restructure the 2019 Bonds (any time after 5 years) with no penalty. As such, we are recommending the Town pursue call option #1 outlined above.

Based on the above described analysis and current historically low interest rates that will allow the Town to achieve substantial debt service savings and lock in an attractive interest rate for the new money capital projects, we would recommend the Town proceed with the issuance of the 2019 Bonds with BB&T. If given



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the go ahead to proceed, we would bring the 2019A Bond financing documents before Town Commission for consideration at the October 1 meeting and the 2019B Bond financing documents at a subsequent meeting. If you have any questions please feel free to contact me at 407-406-5760 or gloverj@pfm.com.



Exhibit A:

Estimated Debt Service Savings

<u>Date</u>	<u>2012 Bond Debt Service</u>	<u>2019A Bond Debt Service</u>	<u>Debt Service Savings</u>	<u>Present Value Savings</u>
10/1/2020	712,447	664,533	47,914	47,272
10/1/2021	711,202	663,575	47,627	45,821
10/1/2022	709,416	661,374	48,042	45,073
10/1/2023	712,088	663,926	48,162	44,066
10/1/2024	709,038	661,109	47,928	42,767
10/1/2025	710,446	663,047	47,399	41,247
10/1/2026	711,133	663,615	47,517	40,320
10/1/2027	711,097	662,839	48,258	39,924
10/1/2028	710,340	662,743	47,596	38,395
10/1/2029	708,860	661,303	47,557	37,403
10/1/2030	711,659	663,543	48,115	36,892
10/1/2031	708,555	660,365	48,190	36,020
10/1/2032	709,729	661,892	47,837	34,856
	9,236,006	8,613,865	622,141	530,057

Combined 2019 Bonds Estimated Debt Service

<u>Period Ending</u>	<u>2019B Bond Debt Service</u>	<u>2019A Bond Debt Service</u>	<u>Aggregate Debt Service</u>
10/1/2020	245,922	664,533	910,455
10/1/2021	307,299	663,575	970,874
10/1/2022	309,502	661,374	970,876
10/1/2023	307,533	663,926	971,459
10/1/2024	310,490	661,109	971,599
10/1/2025	308,250	663,047	971,297
10/1/2026	306,936	663,615	970,552
10/1/2027	305,524	662,839	968,364
10/1/2028	310,014	662,743	972,757
10/1/2029	309,258	661,303	970,561
10/1/2030	303,378	663,543	966,921
10/1/2031	308,499	660,365	968,864
10/1/2032	309,349	661,892	971,240
10/1/2033	970,027		970,027
10/1/2034	970,296		970,296
	5,882,276	8,613,865	14,496,142