



Legislation Text

File #: 19-0034, Version: 1

Summary

To: Finance Board
From: Stefan Massol, Director of Support Services
Date: 2/21/2019

Subject:

Overview of Current Debt and Borrowing Discussion

Summary:

Staff will provide an overview of public borrowing contemplated in the Capital Improvement Plan and Jeff Larson of Larson Consulting Services will provide an overview of borrowing options available.

Background/Problem Discussion: Included in the Capital Improvement Plan for the upcoming five years is additional borrowing of approximately \$4,000,000. As of October 1, 2018 the town has overall outstanding debt obligations of approximately \$8,600,000, including the BB&T infrastructure bond, borrowing for building improvements (ABM) through Capital City Finance, and the SunTrust Equipment Finance Loan. By October 1, 2019 that amount of outstanding debt is projected to total roughly \$8,100,000. An overview of town debt is provided below:

Projected Outstanding Principal by Date

	BB&T	SunTrust	ABM-CapitalCity	Total Outstanding	Amt. under \$10M	Prepay penalty BB&T
10/1/2018	\$7,705,000	\$ 154,625	\$ 738,622	\$ 8,598,247	\$ 1,401,753	\$ 77,050
10/1/2019	\$7,270,000	\$ 93,917	\$ 712,456	\$ 8,076,374	\$ 1,923,626	\$ 72,700
10/1/2020	\$6,820,000	\$ 31,693	\$ 685,671	\$ 7,537,364	\$ 2,462,636	\$ 68,200
10/1/2021	\$6,355,000	\$ 0	\$ 658,414	\$ 7,013,414	\$ 2,986,586	\$ 63,550
10/1/2022	\$5,875,000	\$ 0	\$ 630,675	\$ 6,505,675	\$ 3,494,325	\$ 58,750

Important considerations include:

- 1) If the Town reasonably expects its bonded indebtedness to exceed \$10 million at time of issuance the Town will lose its "Small Issuer Exemption" and become subject to federal continuing disclosure requirements;
- 2) Depending on the borrowing, the Town may need to receive a bond rating from a ratings agency;
- 3) There is no longer a tax exemption available for "advance refunding bonds". This may mean higher interest rates for advance refunding of the BB&T revenue bond, which is also subject to a 1% prepayment penalty;

Jeff Larson of Larson Consulting Services has worked with several municipalities on debt management and investment strategies. He has offered to provide a general overview of borrowing options available to the town and answer questions from the Finance Board.

Recommendation: N/A

Proposed Motion: N/A