



2019 Debt Issuance Preview

Budget & Finance Committee

August 9, 2018



Agenda

- Issuance of 2019 New Money General Obligation Bonds
- Refinancing of 2009B Build America Bonds (BABs)
- Outstanding General Obligation Debt Service and Possible Structure of 2019 Bonds
- Next Steps

Categories of Uses for 2019 New Money Bonds



- Long Term Capital Projects-Largest Category
 - Examples- Roads, Park Development, Facilities
 - 2017 Bond issue was 75% for Roads
 - Amortization- 20 years
- Fire Apparatus and Police Vehicles
 - Budgeted in FY 2019
 - \$1.3 million for Fire Apparatus Replacement and \$2 million for Police vehicles
 - Accounting rule changes have effectively ended leasing programs that we previously utilized for financing of vehicles
 - Amortization- 4 years for Police vehicles and 15 years for Fire Apparatus
- Capital Improvements to Sanitation Facility (Century Court)
 - \$1.5 million for Sanitation Facility capital funded in 2017 Bond Issue
 - Scope of work includes significant paving and drainage infrastructure
 - Debt Service repaid from the Sanitation Fund, which is budgeted to break even in FY 2019
 - Amortization- 10-15 years

Areas of Consideration for Structuring New Money Bonds



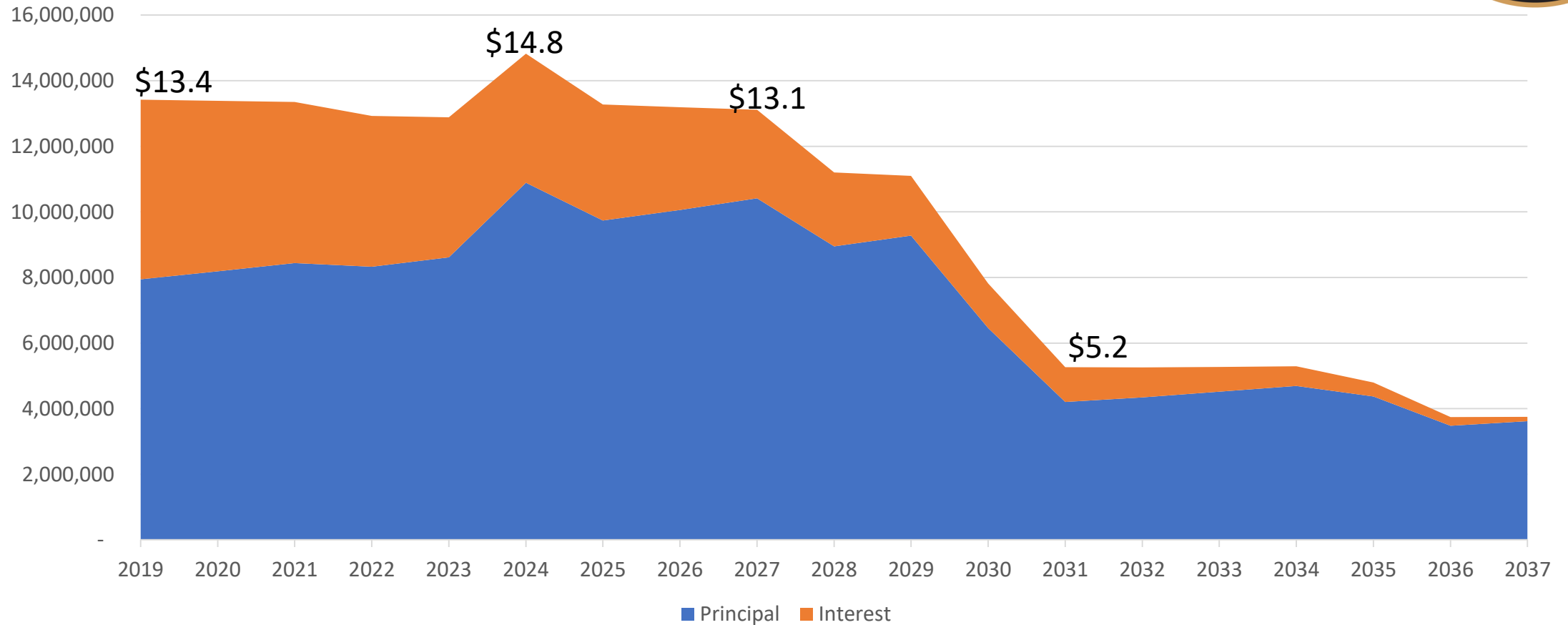
- Affordability of Debt Service- Do we have sufficient revenues to pay additional Principal and Interest expense?
 - Remaining capacity within the 2016 Invest Franklin Program
 - Should we anticipate that some part of future property and sales tax revenues will be dedicated to 2019 debt service?
 - TIF Bonds may be repaid in 2022. Approx. \$2.5-\$3 million of property tax revenues revert to City.
 - Additional .5% local option sales taxes are dedicated to Schools through March 2021. Approx. \$7 million of sales tax revenues revert to City.
- Selection of Long Term Capital Projects
 - Priority to complete previously approved projects funded in part by 2017 Bonds, State Grants or other restricted funding sources
 - BOMA Prioritization of CIP for next tier of projects
- Determination of Cash Flow Needs for a period no longer than 3 years
 - In general, proceeds of tax exempt bond issues must be spent no later than 3 years from the date the transaction is closed. For example, proceeds of the 2017 Bonds must be spent by June 27, 2020.
 - Involves ongoing communication between Project Manager and Finance to monitor spending and to consult with Bond Counsel should an unanticipated delay occur.

Refinancing of 2008B Build America Bonds

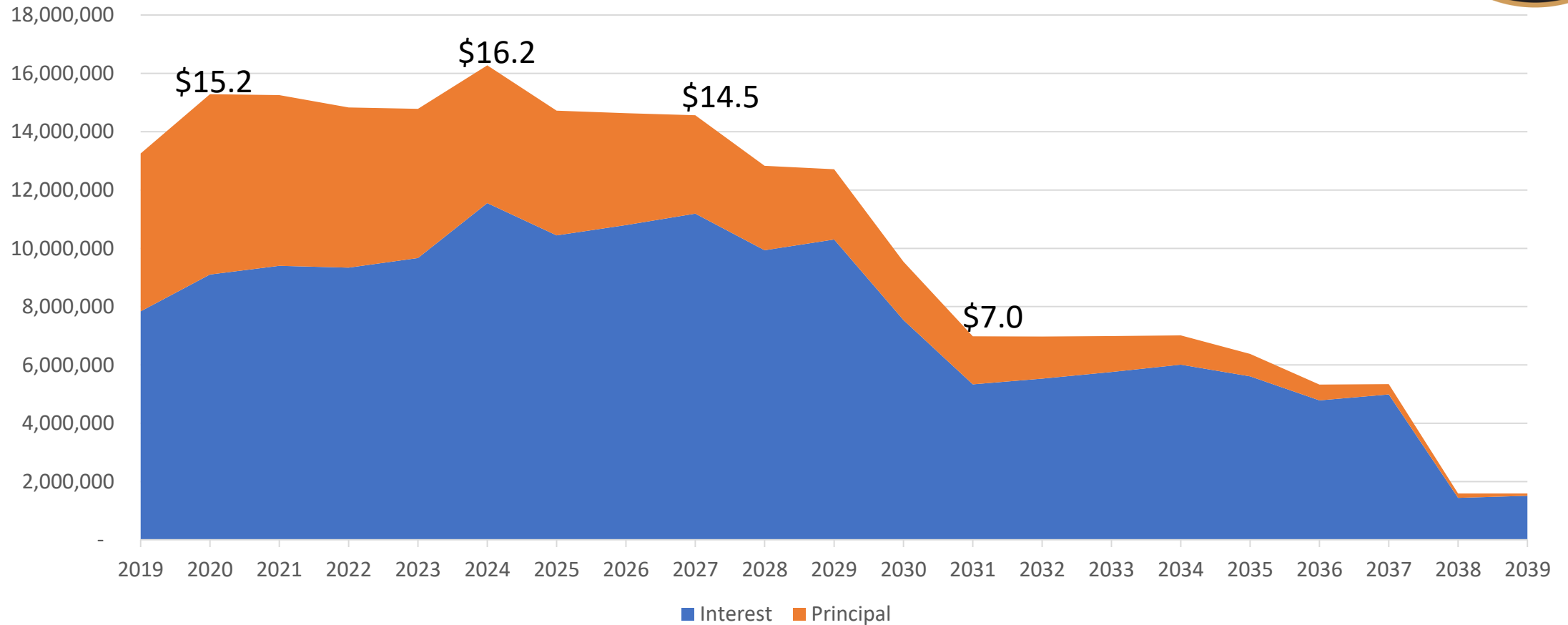


- City issued \$30,625,000 of taxable Build America Bonds (BABs) on 12/29/2009, of which \$28,485,000 are callable beginning March 1, 2019. Final maturity 2029.
- BABs were issued during a period of disarray in the financial market and the bond market. BABs were authorized by Congress for issuance in 2009 and 2010 and the City receives an interest subsidy from the federal government of 32.59%.
- Proposal: City may refund (refinance) the callable 2009B BABs as part of the issuance of the 2019 new money General Obligation Bonds for saving of issuance expenses. Assuming interest rates in July 2018, the savings from refinancing the bonds is approx. \$100,000 annually for the 10 years remaining on the amortization for gross savings of \$1 million (est.).
- Other benefits to refinancing the BABs including elimination of the risk that the federal government will again decrease the interest subsidy as well as reduce administrative duties related specifically to the BABs.

Outstanding General Obligation Debt Service as of 6/30/2018



Outstanding General Obligation Debt Service after Issuance of 2019 GO New Money & Refunding Bonds



Assumes interest savings of \$100,000 per year from 2019-2029 from 2019 BABs refunding. 2019 New Money Bonds are assumed to fund \$23 of capital projects and \$3.2 of fire apparatus and police vehicles.



Next Steps

- September 2018- Intent Resolution for 2019 New Money Bonds- (Allow for receipt of vehicles before Bonds close.)
- January 2019- Initial and Bond Resolutions for 2019 New Money and Refunding Bonds
- Early March 2019- Sell Bonds by Competitive Bid.
- Late March 2019- Close 2019 GO Bonds