

Briargate GID Bond Refunding

September 23, 2014

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Recommendation

- Refunding Team recommends direct placement with JP Morgan Chase Bank, NA

	Current bonds	Proposed bonds
Term	Cash flow bonds - District has until June 15, 2043 to discharge the bonds - based upon current interest rate likely through 2035	2030, callable after December 15, 2019
Interest Rate	7.0%	2.96%
Principal	\$8,640,000	\$8,960,000*
PV Savings		~\$1,000,000 or ~11.6% of refunded par

*Includes funding accrued interest costs from the June 15 interest payment date to the closing date of approximately \$225,120, plus costs of issuance.

Worksession Q&A

Q: What is the term structure of the refunding bonds?

- Fixed redemption schedule
- Maturity 2030
- Failure to make P&I payments constitutes a “Special Event” - remedy enables bond holder to require continuation of the mill levy until the bonds are paid in full
- No general City obligation

Revenue

- Based upon current revenues there is sufficient coverage for the debt service schedule proposed by JP Morgan.
 - Mill levy = 12 mills
 - 2013 AV = \$68.6M
 - **2013 Revenue = \$878,000**
 - 2014 Preliminary AV = \$71.3M

Debt Service Schedule

Year	Principal	Interest (2.96%)	Total
2014	\$ -	\$37,572	\$37,572
2015	430,000	265,216	695,216
2016	440,000	252,488	692,488
2017	450,000	239,464	689,464
2018	460,000	226,144	686,144
2019	470,000	212,528	682,528
2020	485,000	198,616	683,616
2021	500,000	184,260	684,260
2022	515,000	169,460	684,460
2023	530,000	154,216	684,216
2024	565,000	138,528	703,528
2025	595,000	121,804	716,804
2026	630,000	104,192	734,192
2027	675,000	85,544	760,544
2028	715,000	65,564	780,564
2029	740,000	44,400	784,400
2030	760,000	22,496	782,496
TOTAL	\$8,960,000	\$2,522,492	\$11,482,492

Worksession Q&A

Q: Can City Council ensure that all excess revenue generated from the Limited Mill Levy will be applied to the debt to retire the debt and the Limited Mill Levy more quickly?

A: The refunding bonds require the funding of a surplus account out of excess cash flows up to the amount of \$500,000.

- used to pay any debt service shortfalls, if necessary, thereby improving the security of the Bonds
- does not need to be reimbursed after it has reached the \$500,000 threshold unless it is necessary to use the funds for debt service

The Series 2003 Bond Ordinance already restricts such:

- the election authorized the Limited Mill Levy only for the purposes of the debt service and debt service reserve fund
- Council could elect to insert more restrictive language into the Series 2014 Bond Ordinance regarding use of excess limited tax mill levy revenues.

Next Steps

- If approved (2/3 majority), Second Reading on October 14th
- If approved (2/3 majority), closing on October 24th