



City of Leesburg, Florida

Jay Evans, City Manager

Finance Department

William Spinelli CPA
Finance Director

MEMORANDUM

Date of Memo: September 4, 2012

Meeting Date: September 10, 2012

To: Mayor and City Commission

From: Bill Spinelli, CPA, Finance Director

Thru: Jay Evans, City Manager

RE: Refinancing three Series 2004 Revenue Bonds

REQUEST OF COMMISSION: To authorize the City to move forward on working with its Financial Advisor, Larson Consulting Services, on issuing a Request for Proposal ("RFP") for the issuance of up to 20 Year Revenue Refunding Notes to partially advance refund a portion of the outstanding 1) Series 2004 Utility Systems Bonds, 2) Series 2004 Capital Improvement Bonds, and 3) Series 2004 Electric System bonds.

PREVIOUS COMMISSION ACTION: None

BACKGROUND: The coupon rates on the remaining bonds outstanding from the three 2004 bond issues are now higher than what can be achieved from issuing new debt in today's market. By issuing twenty-year bank notes at lower interest rates in order to repay a portion of the old bonds, the City affects savings on each of these bond issues. If the Revenue Bonds were refinanced at the interest rates that were available in late August, it would save approximately \$3,100,000 on a present value basis. Annual Savings ranges from \$195,000 - \$215,000 per year. These savings are net of all estimated issuance costs.

501 W. Meadow Street, Leesburg, FL 34749: City of Leesburg
(352) 728-9700



DISCUSSION: Interest rates are very low in this current market, particularly on the short end of the yield curve. Partially refinancing the three Revenue Bonds will allow us to take advantage of these rates that are lower than what is currently stated on the existing bonds. This Memorandum would allow us to move forward with the Bank Note Request for Proposal and provide for banks banks to submit RFP responses and fixed rate interest rates for each of the three proposed Note Refundings. Per the City's existing Debt Management Policies and general GFOA national standards, the parameter that is of primary interest to the City is achieving net present savings of at least 3% of the par value or the refunded bonds. If this level of savings cannot be achieved then the sale of the bank notes will not proceed. Current estimated PV % savings are in excess of the minimum 3% threshold and for all 3 Refunding Notes above 7%.

FINANCAL/BUDGET IMPACTS: Subject to the market and results from the proposed Bank RFP, the 2012 Capital Improvement Refunding Revenue Note is estimated to produce an average annual savings of \$60,000-\$70,000 per year in the General Fund. The 2012 Electric System Refunding Note is estimated to produce an annual savings of \$55,000-\$60,000 to the Electric Fund. The 2012 Utility System Refunding Revenue Note is estimated to produce an annual savings of \$80,000-\$85,000 to the Water, Wastewater and Gas Funds.

RECOMMENDED ACTIONS: Staff recommends the City Commission approve Management to move forward with the Bank RFP for the Refunding Notes. As recommended by the City's Financial Advisor, it is more cost effective with less upfront fees to pursue a Bank Placement, than a long term Bond issue.

ALTERNATIVES: The Commission could choose to not do the refundings or to postpone the refundings to a point in time when it thought interest rates would be lower.