



TO: President Koultourides and Members of Council

FROM: Dustin Anderson, Town Manager

SUBJECT: Refinancing of the Series 2010 Economic Development Bonds

DATE: February 12, 2021

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The Town issued \$19,655,000 worth of economic development bonds in 2011 for the redevelopment of the Lake Business Center. If the remaining principle of \$13,030,000 were to be refinanced, it is projected that it would generate total Net Present Value savings of between \$2,400,000 and \$2,900,000. This would be \$240,000 and \$290,000 savings per year in debt service payments over the life of the bond. There no downside to refinancing.

An analysis of potential savings is included for your inspection. The analysis contemplates three different refinancing mechanisms: private placement, traditional market-based, and market-based with a pledge of municipal property tax. After discussion with our financial advisor, bond counsel, and Clerk-Treasurer, there was consensus that a pledge of municipal property tax would not be advantageous. This is due to the complexity of the deal, the number of additional parties that must be involved, and the potential (albeit low) risk of being required to divert property tax funds from municipal services to economic development debt service.

Additionally, the parameters of the refinancing are included for your review.

Staff recommends utilizing the same team that refinanced our 2010 economic development bonds. Baker Tilly proposes fees of \$43,000 with an additional engagement to follow at a subsequent meeting for continuing disclosure services. Stifel proposes fees of \$78,210. Barnes and Thornburg will work on an hourly basis and maintain their current hourly rates. For comparisons sake, the last refinancing required approximately \$20,000 of work.

**Recommendation:**

Approve and authorize the Town Manager to sign the engagement letters for Baker Tilly, Stifel, and Barnes and Thornburg for the refinancing of the Series 2011 EDC Bonds.