



M E M O R A N D U M

TO: CITY COUNCIL

THROUGH: CITY MANAGER JUDIE ZIMOMRA

FROM: SYLVIA EDWARDS, FINANCE DIRECTOR

DATE: JANUARY 3, 2012

RE: GENERAL OBLIGATION REFUNDING BONDS, SERIES 2002
REFUNDING OPPORTUNITY

BACKGROUND

In support of the City Council's FY2012 goal to early retire the City's long term debt, reduce the City's annual fixed debt costs and to produce substantial finance cost savings for the City of Sanibel's taxpayers, the City of Sanibel has evaluated the refunding opportunity for the General Obligation Refunding Bonds, Series 2002 (2002 GO Bonds). The bonds are eligible for refunding on May 1, 2012.

The options analyzed are based on today's market rates. The estimated issuance cost of the new debt is approximately \$50,000. There are sufficient reserves in the 2002 GO Bonds debt service fund to cover the issuance costs. The current par value amount of the outstanding bonds is \$3,070,000. The City has budgeted the \$100,000 redemption payment for FY2012 leaving a balance of \$2,970,000 to be refunded.

Three options were considered:

- 1) Keep same maturity date, 2031; lower interest rate
- 2) Shorten maturity to 2027; lower interest rate than option 1
- 3) Shorten maturity to 2022; lower interest rate than option 1 and 2

The analysis is based on current market rates and 2011 taxable property values. The results are presented in the following chart:

| Current Bond | Final Maturity | Average Coupon Interest Rate | Interest Savings | Net PV Savings | Average Annual Debt Service | Required Millage Rate** | Millage Rate Percent Increase (Decrease) | Tax Increase (Decrease) per \$100,000 Taxable Value | Taxpayer Savings per \$100,000 Taxable Value |
|----------------|----------------|--------------------------------|------------------|----------------|-----------------------------|---|--|---|--|
| 20 yrs | 2031 | 4.69% | \$ - | \$ - | \$ 239,390 | 0.0599 | | | |
| Options | | Interest Rate* | | | | | | | |
| 20 yrs | 2031 | 3.00% | \$ 508,927 | \$ 384,451 | \$ 212,971 | 0.0533 | (11.02%) | \$ (0.66) | \$ 13.20 |
| 15 yrs | 2027 | 2.65% | 824,902 | 495,905 | 248,211 | 0.0621 | 3.67% | 0.22 | 26.65 |
| 10 yrs | 2022 | 2.15% | 1,144,057 | 664,127 | 338,287 | 0.0847 | 41.40% | 2.48 | 35.10 |
| | | *Based on Current Market Rates | | | | **Based on 2011 Taxable Property Value of \$4,161,460,842 | | | |

RECOMMENDATION

Staff recommends option 3 to optimize finance cost savings. The debt would be retired in ten years. The Sanibel taxpayer would see an increase on their tax bill of \$2.48 per \$100,000 of taxable property value for the ten years. With the shorten maturity and lower interest rate a taxpayer's savings per \$100,000 of taxable value would be \$35.10.

Option 2 would provide finance cost savings of approximately \$824,902. The debt would be retired in fifteen years. The Sanibel taxpayer would see an increase on their tax bill of \$0.22 per \$100,000 of taxable property value for the fifteen years. With the shorten maturity and lower interest rate a taxpayer's savings per \$100,000 of taxable value would be \$26.65.

Option 1 provides a finance cost savings but does not shorten the debt's maturity. The Sanibel taxpayer would see a decrease on their tax bill of (\$0.66) per \$100,000 of taxable property value for the twenty years. With the lower interest rate a taxpayer's savings per \$100,000 of taxable value would be \$13.20.

ATTACHMENT

Refunding Timetable

CITY OF SANIBEL, FLORIDA

**Timetable - DRAFT
Bank Loan Refunding, Series 2012**

| Jan-12 | | | | | | |
|--------|-----|------|-----|-------|-----|-----|
| Sun | Mon | Tues | Wed | Thurs | Fri | Sat |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | 31 | | | | |

| Feb-12 | | | | | | |
|--------|-----|------|-----|-------|-----|-----|
| Sun | Mon | Tues | Wed | Thurs | Fri | Sat |
| | | | 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 26 | 27 | 28 | 29 | | | |

| Mar-12 | | | | | | |
|--------|-----|------|-----|-------|-----|-----|
| Sun | Mon | Tues | Wed | Thurs | Fri | Sat |
| | | | | 1 | 2 | 3 |
| 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 25 | 26 | 27 | 28 | 29 | 30 | 31 |

| Apr-12 | | | | | | |
|--------|-----|------|-----|-------|-----|-----|
| Sun | Mon | Tues | Wed | Thurs | Fri | Sat |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | | | | | |

| May-12 | | | | | | |
|--------|-----|------|-----|-------|-----|-----|
| Sun | Mon | Tues | Wed | Thurs | Fri | Sat |
| | | 1 | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 | | |

| <u>Date</u> | <u>Event</u> | <u>Responsibility</u> |
|-------------|--|-----------------------|
| 1/10/12 | Draft RFP Distributed to Working Group | FA |
| 1/17/12 | Comments Due on RFP | ALL |
| 2/17/12 | RFP Distributed | FA |
| 3/6/12 | Distributed RFP for Escrow Agent and Verification Agent (If needed) | FA |
| 3/9/12 | RFP Responses Due | FA/CITY |
| 3/15/12 | Analysis for RFP Responses Due to BSU | FA |
| 3/20/12 | Staff Recommendation | CITY |
| 3/23/12 | First Draft of Legal Documents Distributed | BC |
| 3/30/12 | Comments Due on First Draft of Legal Documents | ALL |
| 4/6/12 | Second Draft of Legal Documents Distributed | BC |
| 4/13/12 | Comments Due on Second Draft of Legal Documents | ALL |
| 4/20/12 | Agenda Package Due | ALL |
| 5/1/12 | Council Meeting | ALL |
| 5/2/12 | Pre-Closing | ALL |
| 5/3/12 | Closing | ALL |

BC – BMO
CITY – Sanibel, Florida
FA - Dunlap & Associates, Inc.