



VILLAGE OF KEY BISCAINE

Office of the Village Manager

MEMORANDUM

Village Council
Franklin H. Caplan, *Mayor*
Michael E. Kelly, *Vice Mayor*
Michael W. Davey
Enrique Garcia
Robert Gusman
Mayra P. Lindsay
James S. Taintor

Village Manager
Genaro "Chip" Iglesias

DATE: May 10th, 2011
TO: Honorable Mayor and Members of the Village Council
FROM: Genaro "Chip" Iglesias, Village Manager
RE: Refinancing Stormwater Utility Revenue Bonds, Series 1999

RECOMMENDATION

It is recommended that the Council consider refinancing Stormwater Utility Revenue Bonds, Series 1999, for the same amount of time as currently outstanding to obtain savings. This proposed refinancing will produce approximately \$90,000 in present value savings due to the low interest rate environment. Additionally it will provide debt relief to cover the cash flow constraint created from Oct. 1, 2010 thru March 1, 2011, when the adjustments to the Stormwater Rates were approved and became effective.

BACKGROUND

In January of 1999 the Village Council authorized the issuance of the Stormwater Utility Revenue Bonds, Series 1999 in the aggregate principal amount of \$7,200,000 to provide funds for the ultimate purpose of expanding and improving the Stormwater Utility System within the Village. The Stormwater Utility Revenue Bonds, Series 1999 was structured with yearly escalating debt service for 20 years (9 years remaining) at an interest rate of 4.13% per annum.

At the March 8th Council meeting, Council expressed not wanting to refinance the Stormwater debt with an extended final maturity since this implicated higher interest rates than the 4.13% of the 1999 Bonds, more interest costs and there were associated closing costs. In order for the Village to take advantage of the historical low interest rate environment, Estrada Hinojosa, as our Financial Advisor, surveyed several banks for 9 year financing rates (the number of years outstanding on the current loan). Interest rate indications came in at 3.39% vs. the current rate of 4.13%. This reduced interest rate allows the Village to refinance the debt to obtain present value savings of approximately \$90,000 (net of costs of issuance). Additionally, this refinancing will provide the Stormwater Enterprise Fund necessary cash flow relief for FY 11. This relief will resolve the cash flow constraints created from Oct. 1, 2010 thru March 2011, when the adjusted Stormwater rates were approved.

The table below compares the results of the Series 99 and the proposed refinancing structure, keeping the same final maturity of the Series 99 at 10/1/2019.

	Series 99	Upfront Savings/ Level DS
Par Amount	\$4,450,000	\$4,505,000
Interest Rate	4.13%	3.39%
Closing Expenses		\$50,000
PV Savings		\$90,478.76
FY 2011 DS	\$497,144	\$282,360.46
Average Debt Service	\$598,065	\$620,502
Max Annual Avg DS	\$619,574	\$622,548
Total Net Debt Service	\$5,382,576	\$5,246,377