COUNTY DEPARTMENT AGENDA REQUEST

Department:	Finance	Presenter(s):	Mary S. Holland
Meeting Date:	Thursday, December 10, 2009	Type of Request:	Old Business

Wording for the Agenda:

Consideration of staff's recommendation to reduce the county's participation in the Georgia Municipal Association (GMA) Lease Pool Program, including the outstanding amount of Certificates of Participation and the associated interest-rate swap agreement by the amount of the account balance determined to be "excess funds."

Background/History/Details:

The Georgia Local Government series 1998A Lease Pool Agreement stipulates that all funds - principal and interest - must be used every five years. Any balance remaining in the lease pool's Equipment Fund longer is declared "excess funds." On May 27, 2009 the county reduced its participation in the certificates of participation, lease pool, and interest rate swap by $1,028,000 that had been declared excess.

The Bank of New York has calculated that a conservative estimate of an additional $818,000 will become excess on June 1, 2010.

What action are you seeking from the Board of Commissioners?

Approval to reduce the county's participation in the GMA Lease Pool Program by the amount determined to be "excess funds" (an estimated $818,000).

If this item requires funding, please describe:

Has this issue come before the Commissioners in the past?	Yes	If so, when?	Thursday, January 22, 2009
Do you need audio-visual for the presentation?	No	Back-up Material Submitted?	Yes

STAFF USE ONLY

Approved by Finance	Yes	Reviewed by Legal	Yes
Approved by Purchasing		Approved by County Clerk	Yes
Administrator's Approval	Yes		

Staff Notes:

Fayette County
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To: Mary S. Holland

From: Ted L. Burgess

Date: November 6, 2009

Subject: Unwind $818,000 of GMA Lease Pool

Beginning in 1998, the county had a $5,000,000 participation stake in the Georgia Local Government series 1998A certificates of participation. Proceeds from the sale of the certificates were used to finance the county's share of the Georgia Municipal Association (GMA) lease pool agreement. The same amount of $5,000,000 was used as the basis for an interest-rate swap that was incorporated into the lease pool agreement.

The lease agreement says that, if any funds in the lease pool become "excess," then the county's certificates of participation, lease pool balance, and swap payment agreement can be reduced by the amount of the excess funds. The document defines excess funds as "any funds held on deposit in the Renewal Account of the Equipment Fund for more that five (5) years, determined using the first-in / first-out method of accounting for funds."

As of February 2008 all lease agreements were paid in full. Effective May 27, 2009 the county reduced its $5,000,000 participation in the program by $1,028,000 of "excess funds" as approved by the Board of Commissioners. The GMA has notified us that an estimated $818,000 will become excess as of June 1, 2010. As before, the county's options are:

- Lease vehicles in the amount of $818,000
- Request a one-year extension while the matter is studied, or
- Prepay the "excess" funds.

Staff is recommending the county continue to reduce its participation by the estimated $818,000 for the following events to take place:

1. The county's portion of the certificates of participation will be reduced from $3,972,000 to $3,154,000. The amount of $818,000 will be drawn from the Renewal Account of the Equipment Fund to "call" that amount of certificates of participation.

2. The interest rate swap agreement will be based on the reduced notional amount of $3,154,000. The county will continue to receive interest from J.P. Morgan at the fixed rate of 4.75% of the reduced notional amount, and pay J.P. Morgan the variable rate of the Securities and Financial Markets Association (SIFMA) index rate plus 0.31%.

3. The county will pre-pay approximately $30,458 of the Original Issuance Discount ($282,450) and issuance fees ($50,000) connected with the certificates of participation by netting with amounts due from J.P. Morgan.

4. The county pays an annual administrative fee (called "additional rent"), which is in effect for the life of the lease pool agreement. The fee was originally $20,000 per year, but is reduced proportionally each time "excess funds" are removed from the program. Removal of the current $818,000 in excess funds would reduce the administrative fee by about $3,000 per year.

By the county reducing its participation in the GMA Lease Pool, it will also reduce its exposure to variable-rate interest payments, in keeping with the county's debt management policy.