COUNTY DEPARTMENT AGENDA REQUEST

Department:	Finance	Presenter(s):	Mary S. Holland
Meeting Date:	Thursday, September 23, 2010	Type of Request:	Old Business

Wording for the Agenda:

Consideration of staff's request for authorization to proceed with the process of refinancing the Fayette County Public Facilities Authority's Series 2001 Bonds in the amount of $47,995,000.

Background/History/Details:

Information about refinancing of the 2001 Public Facilities Authority's Criminal Justice Center Bonds was discussed at the County Commissioners' September 1, 2010 Workshop. Preliminary estimates indicate a net value cost savings of $6.8M. Staff is recommending the Board authorize this refunding transaction be executed.

Staff is also recommending that the County utilize the services of Merchant Capital L.L.C. as Underwriters, McKenna Long & Aldridge LLP as Bond Counsel, and the County's current auditing firm, Nichols, Cauley & Associates to execute the refinancing process . Last year's issuance of the Fayette County Water Revenue Bonds, Series 2009 was completed with the services of Merchant Capital and McKenna Long & Aldridge.

What action are you seeking from the Board of Commissioners?

Approval to proceed with refunding the CJC Series 2001 Bonds.

If this item requires funding, please describe:

Not Applicable.

Has this issue come before the Commissioners in the past?	Yes	If so, when?	Wednesday, September 1, 2010
Do you need audio-visual for the presentation?	No	Back-up Material Submitted?	Yes

STAFF USE ONLY

Approved by Finance	Yes	Reviewed by Legal	
Approved by Purchasing	Not Applicable	Approved by County Clerk	Yes
Administrator's Approval	Yes		

Staff Notes:

Merchant Capital Memo

To: **Mr. Jack Krakeel**
Ms. Mary Holland

From: **James R. Wilson**

Date: **8/26/10**

Subject: **Fayette County Public Facilities Authority Refunding Revenue Bonds**

Savings

As a follow up to our meeting we have updated the refunding analysis to reflect current market interest rates and developed an issuance cost budget for the proposed refunding of the 2001 Jail Bonds. The plan of finance proposes to utilize the excess bond proceeds in a way where there are approximately $3.7 million of aggregate debt service savings in FYE 2011 through 2014. These funds would provide cash financing for the build out of the top floor at that time, if needed. After FYE 2014 the County would realize approximately $850,000 of annual savings through the remaining term of the bond issue, which is fully repaid in year 2030. The overall future reduction in debt service is approximately $17,374,369; which includes a cash contribution of $6,585,000 at closing. The interest rate on the Series 2001 Bonds is approximately 4.98% and the average rate on the refunding bonds is estimated at 2.98%.

Financing Budget

For purposes of planning, we have developed a detailed issuance cost budget that totals $8.40 per $1000 for a $39.9 million bond. This budget is based on the actual costs incurred on the water bond issue last year which was of similar size. You will note that we have reduced the auditor costs because there will be less work associated with the jail issue than there was with the water bond. I am happy to discuss any of the costs assumptions if there are questions.

Timing

We have developed a financing schedule that will put the County in a position to publically market the bonds the first week of February. We are recommending that most of the work to undertake the financing be completed during October and November and that the rating process takes place in January once the FYE 2010 audit is complete. By getting an early start, if market conditions begin to deteriorate later in the year, the County will be well positioned to consider a 'forward delivery" transaction and accelerate the bond sale.

I hope this summary and the attached information is useful to the Board of Commissioners in their deliberations.

Merchant Capital, LLC
One Buckhead Plaza - 3060 Peachtree Road - Suite 1700
Atlanta, Georgia 30305
Telephone (404) 504-2766 - Fax (404) 504-2790

Fayette County Public Facilities Authority
Refunding Summary for S2001 Bonds

- 2010 Principal payment of $1,415,000 is paid from current excess bond proceeds, leaving $6,585,000* to be applied to the County's refunding
- The Series 2001 Bonds are refunded on 3/2/2011 in anticipation of the June 1, 2011 call date (90 days prior to the call date, the legal limit)
- Savings for fiscal years 2011 through 2014 total $3,774,957, excluding investment income, which can be utilized for the jail's build-out, if desired
- Savings then provide approximate level debt service savings of $850,000 for the remaing years

1	2	3	4	5	6	7	8	9
Fiscal Year	Current Principal	Current Interest	Current Total Debt Service	Refunding Principal	Refunding Interest	Refunding Total Debt Service	Gross Savings	Cummulative Savings
2011	$ 1,490,000	$ 1,176,989	$ 2,666,989	$ 1,345,000	$ 368,064	$ 1,713,064	$ 953,924	$ 953,924
2012	1,550,000	2,291,398	3,841,398	1,440,000	1,461,900	2,901,900	939,498	1,893,422
2013	1,615,000	2,224,748	3,839,748	1,465,000	1,433,100	2,898,100	941,648	2,835,069
2014	1,690,000	2,153,688	3,843,688	1,500,000	1,403,800	2,903,800	939,888	3,774,957
2015	1,765,000	2,077,638	3,842,638	1,620,000	1,373,800	2,993,800	848,838	4,623,794
2016	1,850,000	1,989,388	3,839,388	1,650,000	1,341,400	2,991,400	847,988	5,471,782
2017	1,945,000	1,896,888	3,841,888	1,685,000	1,308,400	2,993,400	848,488	6,320,269
2018	2,035,000	1,804,500	3,839,500	1,735,000	1,257,850	2,992,850	846,650	7,166,919
2019	2,140,000	1,702,750	3,842,750	1,785,000	1,205,800	2,990,800	851,950	8,018,869
2020	2,245,000	1,595,750	3,840,750	1,855,000	1,134,400	2,989,400	851,350	8,870,219
2021	2,355,000	1,483,500	3,838,500	1,930,000	1,060,200	2,990,200	848,300	9,718,519
2022	2,475,000	1,365,750	3,840,750	2,030,000	963,700	2,993,700	847,050	10,565,569
2023	2,600,000	1,242,000	3,842,000	2,130,000	862,200	2,992,200	849,800	11,415,369
2024	2,730,000	1,112,000	3,842,000	2,235,000	755,700	2,990,700	851,300	12,266,669
2025	2,870,000	975,500	3,845,500	2,350,000	643,950	2,993,950	851,550	13,118,219
2026	3,010,000	832,000	3,842,000	2,420,000	573,450	2,993,450	848,550	13,966,769
2027	3,165,000	681,500	3,846,500	2,540,000	452,450	2,992,450	854,050	14,820,819
2028	3,320,000	523,250	3,843,250	2,620,000	369,900	2,989,900	853,350	15,674,169
2029	3,485,000	357,250	3,842,250	2,755,000	238,900	2,993,900	848,350	16,522,519
2030	3,660,000	183,000	3,843,000	2,890,000	101,150	2,991,150	851,850	17,374,369
Totals:	*$ 47,995,000*	*$ 27,669,484*	*$ 75,664,484*	*$ 39,980,000*	*$ 18,310,114*	*$ 58,290,114*	*$ 17,374,369*	

Summary of Refunding:

S2010 Par Amount:	$ 39,980,000	PV Savings:	$ 13,391,437
S2001 Original Coupon:	4.98%	Less Prior Funds on Hand	(6,585,000)
S2010 Refunding Yield:	2.93%	Plus Rounding	4,463
S2010 Call Date:	June 1, 2021	Net PV Savings:	**$ 6,810,901**

Merchant Capital, LLC
August 26, 2010

Fayette County Public Facilities Authority
Cost of Issuance Budget

Series 2010 Jail Refunding

Sources:		
Par Amount	$	39,980,000
Net Premium		3,393,970
Capital Contribution		6,585,000
Total Source	$	49,958,970

Uses:		
Cash Deposit	$	0
SLGS Purchases		49,618,533
Cost of Issuance		176,053
Underwriter's Discount		159,920
Rounding		4,464
Total Uses	$	49,958,970

Budgeted Cost of Issuance:		
Bond Counsel/ Issuer Counsel ($1.24/1,000)	$	49,575
Underwriter's Counsel ($1.10/1,000)		43,978
Legal Expenses		5,000
Rating Fee - Moody's		22,000
Rating Fee - S&P		20,000
Escrow Agent		500
Verification Agent		2,000
Paying Agent / Registrar		1,000
Auditor		10,000
Engineer		-
Printing		7,000
Closing		5,000
Miscellaneous		10,000
Total Budgeted COI:	$	176,053
Underwriting Discount ($4.00/1,000):	$	159,920
Total Cost:	**$**	**335,973**

FAYETTE COUNTY PUBLIC FACILITIES AUTHORITY
CURRENT REFUNDING OF SERIES 2001 BONDS

PRELIMINARY FINANCING SCHEDULE

Date	Activity
Sept. 23	Fayette County BOC authorizes refinancing. Meeting scheduled with Public Facilities Authority ("PFA")
Sept. 30	Meeting with PFA to review refunding transaction and adopt schedule.
Oct. 4	Financing commences work on bond documents, i.e. Trust Indenture, Intergovernmental Agreement and Preliminary Official Statement ("POS")
Oct. 15	Circulate initial drafts of bond documents and POS. County provide unaudited General Fund financial information and FYE 2011 budget.
Oct. 29	Working group provide all comments to initial draft of bond documents.
Nov. 5	Circulate 2nd draft of bond documents and POS.
Nov. 17	Working group provide comments on 2nd draft of bond documents and POS
Nov. 30	Circulate 3rd draft of bond documents.
Jan. 7	Receipt of final unaudited General Fund numbers for Fiscal Year ended 6/30/10 and fiscal year to date unaudited financial information on General Fund versus budget (Nov month).
Jan. 12	Circulate final draft of bond documents and POS.
Jan. 14	Mail financing documents to rating agencies.
Feb 1	Receive bond ratings.
Feb. 3	Print and mail POS.
Feb. 9	Price and market bonds.
Feb. 10	Fayette County and PBA approve Trust Indenture and Intergovernmental Agreement.
Feb. 16	First advertisement for bond validation.
Feb. 23	Second advertisement for bond validation.
March 2	Validation hearing.
March 3	Closing

Note: The above schedule can be adjusted to reflect the receipt of the County audit for fiscal year June 30, 2010 and can be accelerated if market conditions warrant during the fourth quarter of 2010.