

Indian River County
Inter-Office Memorandum

Office of Management and Budget

TO: Members of the Board
of County Commissioners

DATE: July 2, 2019

SUBJECT: **Water & Sewer Revenue Refunding Bonds, Series 2009
Approval of Resolution for Early Payoff**

FROM: Kristin Daniels
Director, Management & Budget

Vincent Burke, P.E.
Director of Utility Services

Background

The Water & Sewer Revenue Refunding Bonds, Series 2009 were issued to refinance the Water & Sewer Revenue Bonds, Series 1993A and 1993B which were then outstanding in the aggregate principal amount of \$32,695,000. The Series 2009 Bonds were issued in the principal amount of \$26,370,000, with the remaining Series 1993 Bonds not being refunded. The Series 2009 refinancing of the Series 1993A and 1993B Bonds reduced the debt service payments for the Utility by about \$125,000 per year and provided a net present value savings of \$1.4 million in 2009.

The Series 2009 bonds are callable on September 1, 2019. Once the September 1, 2019 debt service payment is made, the remaining principal outstanding will be \$11,315,000. On July 2, 2019 the Board approved paying off the outstanding balance on or after September 1, 2019.

Analysis

Current annual debt service for the Series 2009 Bonds is approximately \$2.9 million, with interest expense of approximately \$1.6 million over the remaining life of the bonds after the September 1, 2019 payment. The remaining Series 2009 Bonds carry an interest rate of 5.0%. Currently, the County's investments are earning about 2.1% interest per year. The estimated net savings over the remaining life of the bonds will be \$935,105, with a net present value savings of approximately \$893,000 or 7.9%. The reduction in debt service will provide flexibility for the Utility to fund increased renewal and replacement expenses to ensure that the current infrastructure remains well maintained. Depending upon the cost and timing of upcoming projects, additional borrowing may become necessary in the future.

Funding

Of the \$11,315,000 to be paid towards the redemption of the Series 2009 Bonds, \$8,163,005 will be provided from Utilities' unrestricted cash balance, and \$3,151,995 will be provided by a reduction to the Debt Service Reserve Account. The County was required to maintain a Debt Service Account for the Series 2009 Bonds and the Series 2015 Note. This reserve was sized based upon the maximum annual debt service on the combined Utilities' debt. Since the maximum annual debt service will be reduced to that of the Series 2015 Note only, the Debt Service Account will be resized and reduced by \$3,151,995. This reduction will be applied towards the redemption of the Series 2009 Bonds. The additional anticipated cost of approximately \$5,000 for Bond Counsel and Financial Advisor services is budgeted and available from the Utilities/Other Debt Service accounts.

Staff Recommendation

Staff recommends that the Board of Commissioners approve the attached Resolution authorizing the redemption and payment of the Water & Sewer Revenue Refunding Bonds, Series 2009; authorizing the use of Utilities Cash balance in the amount of \$11,320,000 to pay off this debt and related expenses; and authorizing the proper officers of the County to do all acts necessary and proper for carrying out the transactions contemplated by this resolution.

Attachments

Resolution
Notice of Redemption
Masterson Advisors Series 2009 Redemption Calculations