



Pinellas County

Staff Report

File #: 18-1493A, Version: 1

Subject:

(Withdrawn)

Resolution amending the FY 2018 Sewer Revenue and Operating Fund and Sewer Interest and Sinking Fund budgets to increase transfers to Sewer Interest and Sinking Fund and to realign reserves for future years to interest expense due to increased interest rates on bonds, as asserted by Bank of America, N.A.

Recommended Action:

Conduct a public hearing and adopt the resolution increasing Transfers from Sewer Revenue and Operating Fund to Sewer Interest and Sinking Fund, recognizing the increased transfer, and realigning Reserves for Future Years to Interest Expense within Sewer Interest and Sinking Fund in the Fiscal Year 2018 (FY18) Budget.

Strategic Plan:

Foster Continual Economic Growth and Vitality

4.4 Invest in infrastructure to meet our current and future needs

Deliver First Class Services to the Public and Our Customers

5.2 Be responsible stewards of the public's resources

Summary:

The attached resolution realigns funds within the Sewer Revenue and Operating Fund to enable an increased transfer that is recognized within the Sewer Interest and Sinking Fund. The resolution also appropriates funding from reserves within the Sewer Interest and Sinking Fund to enable payment of unanticipated and disputed additional interest expense for sewer revenue bonds held by Bank of America. The resolution is processed as a public hearing item in accordance with Sections 129.06(3)(b) and 129.06(2)(f), F.S. Notice of this public hearing was published in the Tampa Bay Times on September 23, 2018.

Background Information:

Bank of America, the bond holder for Sewer Revenue Bond, Series 2008A and Sewer Revenue Refunding Bond, Series 2008B-1, asserts that it is required to increase the interest rate on the bonds due to the passing of the Federal Tax Reform Act of 2018. The County disputes this assertion and continues to seek reconsideration by Bank of America. Increasing and recognizing the transfer to the Sewer Interest and Sinking Fund, from which debt service payments are made, is required to sustain the various bonds' minimum reserve requirement within this fund. Realignment of reserves to cover the disputed additional interest expense is required to enable full payment of the October 1 debt service payments and avoid default.

Fiscal Impact:

Approval of this resolution realigns funds within the Sewer Revenue and Operating Fund to enable

an increase in the transfer to the Sewer Interest and Sinking Fund. The resolution also recognizes an increase in the Interest Expense account and a decrease in the Reserves account within the Sewer Interest and Sinking Fund, thereby enabling payment of the disputed additional interest expense for the bonds held by Bank of America. The total debt service payments in FY18 will increase by \$340,000 based on the original increased interest rate asserted by Bank of America (see below for current and increased rates). The total estimated impact is \$4.3M.

An increase in interest due on these bonds will require additional revenue that would be factored into assumptions used for the sewer system rate study that is currently underway.

Interest Rates:

2008A - current rate 4.41%; increased rate 5.36%

2008B-1 - current rate 4.24%; increased rate 5.15%

Staff Member Responsible:

Bill Berger, Director, Office of Management & Budget

Partners:

N/A

Attachments:

Resolution

Public Hearing Advertisement

Correspondence with Bank of America

Calculation of Increased Debt Service Requirements