



# Pinellas County

## Staff Report

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File #: 20-1985A, Version: 1

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### **Subject:**

Resolutions authorizing the aggregate issuance of not to exceed \$50,500,000.00 Sewer Revenue Refunding Notes, Series 2021A and 2021B to refund the outstanding Sewer Revenue Refunding Bonds, Series 2012, and Sewer Revenue Bonds, Series 2003.

### **Recommended Action:**

Adoption of two Resolutions authorizing the aggregate issuance of not to exceed \$50,500,000.00 Sewer Revenue Refunding Notes, Series 2021A and 2021B to refund the outstanding Sewer Revenue Refunding Bonds, Series 2012, and Sewer Revenue Bonds, Series 2003.

- Authorization for the Board to issue not to exceed \$45,000,000.00 Taxable Sewer Revenue Refunding Note, Series 2021A, and utilize the proceeds to refinance the outstanding Sewer Revenue Refunding Bonds, Series 2012 for estimated aggregate savings of \$3,274,400.00.
  - Due to current tax law, the County is not permitted to refund the Series 2012 Bonds on a tax-exempt basis until July 2022. This deal allows the County to convert Series 2021A Note to a tax-exempt note on or about July 5, 2022, with estimated aggregate additional savings of \$449,900.00.
- Authorization for the Board to issue not to exceed \$5,500,000.00 tax-exempt Sewer Revenue Refunding Note, Series 2021B, and utilize the proceeds to refinance the outstanding Sewer Revenue Bonds, Series 2003 for estimated aggregate savings of \$1,598,800.00. This issuance of the Series 2021B Note is contingent upon the issuance of the Series 2021A Note.
- Approval of the attached sewer refunding notes and authorization for the Chairman to sign each Note and the related agreements and closing documents, and for the Clerk of the Circuit Court to attest.

### **Strategic Plan:**

Deliver First Class Services to the Public and Our Customers

5.2 Be responsible stewards of the public's resources

### **Summary:**

These Resolutions will authorize the issuance of the Taxable Sewer Revenue Refunding Note 2021A in the preliminary principal amount not to exceed \$45,000,000.00, maturing October 1, 2031 paying a 1.44% interest rate, and Sewer Revenue Refunding Note 2021B in the preliminary principal amount not to exceed \$5,500,000.00, maturing October 1, 2032 paying an estimated rate of 2.00%. Proceeds from the notes will be used to refund Pinellas County Utilities' outstanding Sewer Revenue Refunding Bonds, Series 2012, maturing October 1, 2031 paying an average 4.30% interest rate, and Sewer Revenue Bonds, Series 2003, maturing October 1, 2032 paying an average 4.79% interest rate, respectively. The proceeds will also be utilized to pay associated issuance costs in connection with these loans. This deal also allows, but does not require, the County to convert Series 2021A Note to a tax-exempt note on or about July 5, 2022, with a new tax-exempt rate of 1.17%. Due to current tax law, the County is not permitted to refund the Series 2012 Bonds on a tax-exempt basis until July

2022. However, in July 2022, the County would be legally permitted to refund the Series 2012 Bonds on a tax-exempt basis. Included as Exhibit J to the Forward Delivery and Direct Purchase Agreement attached to this Staff Report is the form of a Supplemental Resolution substantially ready for consideration by the Board in 2022. If the Board adopts the 2022 Resolution, TD Bank is obligated to exchange the taxable Series 2021A Note with the tax-exempt Series 2022 Note and accordingly accept the lower interest rate associated with the Series 2022 Note (1.17%).

Over the life of the notes, Pinellas County Utilities expects to realize a net present value (NPV) savings of approximately \$4,873,200.00, or approximately 10.4% of refunded amount, which exceeds the County's 5.0% threshold of savings for a refunding. Should the 2021A Note be converted, approximate savings would increase to \$5,323,100.00. The estimated costs of issuance, including counsel fees, bank counsel fees, escrow agent, and financial advisory fees total approximately \$155,000.00, with additional expenses of approximately \$50,000.00 associated with the conversion in July 2022, only if such conversion is approved by the Board of County Commissioners.

### **Background Information:**

In August 2020, the County's Financial Advisor, Public Resources Advisory Group (PRAG) presented the County with a potential opportunity to refund two outstanding bonds in the Sewer Fund. The potential savings of the refunding were projected to be in excess of the minimum 5.0% rate of refunded amount.

After discussions with PRAG and internal departments, it was recommended that a Request for Proposal (RFP) be released. On November 11, 2020, PRAG solicited loan proposals from 37 banks, requesting responses by December 3, 2020. The County received eight responses and the bids recommended by PRAG were received from TD Bank (2021A) and JP Morgan Chase Bank (2021B).

The issuance of the Series 2021B Note requires the consent of the existing lenders for the sewer system, Bank of America and JPMorgan, as the refunding will result in a reduction in the debt service reserve requirement associated with the existing Series 2008A, Series 2008B and Series 2016 Notes. Both lenders have expressed a willingness to consent and County staff are currently negotiating the amount of reduction in the debt service reserve requirement for the existing issues. The Series 2021A and Series 2021B Notes will not have a debt service reserve and for future issues the County will determine the amount of the debt service reserve requirement, if any, on a series-by-series basis.

The Sewer Revenue Refunding Notes, Series 2021A and 2021B are being issued as additional bonds under the Bond Resolution on parity with the County's outstanding Sewer Revenue Bonds, Series 2008A and 2008B, and Sewer Revenue Refunding Note, Series 2016, which are not being refunded and will remain outstanding. The payment of the principal and interest on the Sewer bonds and loans will be payable from a pledge of the net revenues derived from the operation of the Pinellas County Utilities Sewer System. This is outlined in the attached Resolution, which supplements and amends previously approved Resolution No. 93-292 (as supplemented by Resolutions 93-322, 94-77, 06-201, 08-109, 2011-56, 2012-35, and 15-71.)

### **Fiscal Impact:**

It is anticipated these refundings will result in approximately \$4,873,200.00 of NPV savings for Pinellas County Utilities, or about 10.4% of refunded bonds. This equates to a minimum annual savings for the Sewer Fund between \$331,000.00 and \$472,200.00 from 2021 through 2031. In the

final year of the loan (2032), the savings would be \$126,700.00. The amount of annual savings will increase by approximately \$50,000.00 annually beginning in 2023 should the conversion to tax-exempt occur. Upon the issuance of the Series 2021A and 2021B Notes the County will no longer have any capital market bonds outstanding. As such, independent audited financial statements will no longer be needed for the sewer system and Utilities will also save approximately \$6,000.00 per year.

**Staff Member Responsible:**

Jim Abernathy, Budget & Financial Management Analyst  
Office of Management & Budget

**Partners:**

N/A

**Attachments:**

Supplemental Bond Resolution - 2021A  
Exhibit A Escrow Deposit Agreement - 2021A  
Exhibit B TD Term Sheet - 2021A  
Exhibit D Forward Delivery and Direct Purchase Agreement - 2021A  
Supplemental Bond Resolution - 2021B  
Exhibit A Escrow Deposit Agreement - 2021B  
Exhibit B JP Morgan Term Sheet - 2021B  
Memo From PRAG  
Cash Flow Without Conversion  
Cash Flow With Conversion  
Form of 2022 Resolution