

VILLAGE OF BARTLETT

COMMITTEE AGENDA

NOVEMBER 3, 2020

FINANCE & GOLF, CHAIRMAN DEYNE

Debt Refunding Review

Village of Bartlett
Finance Department Memo
2020 – 18

DATE: October 26, 2020
TO: Paula Schumacher, Village Administrator
FROM: Todd Dowden, Finance Director
SUBJECT: Debt Refunding

Attached are two hypothetical schedules by Robert W. Baird showing potential savings by refunding the General Obligation Bonds, Series 2012 and the DuPage Water Commission Loan for the water transmission line. Below is a brief summary from our financial advisor based on market conditions as of October 5, 2020.

Taxable Advance Refunding of Series 2012

Potential Gross Savings - \$1,340,521
Potential Annual Savings - \$120,000
Potential PV Savings - \$1,233,698 -or- 11.3% of refunded par

The 2012 Bonds are callable December 1, 2021. The Village can advance refund its 2012 Bonds now at taxable interest rates (savings estimated above) or wait until September 2021 to refund the bonds at tax-exempt rates. Based on current market conditions, we estimate a breakeven point of 53 basis points (0.53%). This means that if tax-exempt interest rates increase less than 53 basis points between now and September 2021, the Village could potentially generate greater savings through a tax-exempt current refunding. If tax-exempt rates increase more than 53 basis points between now and next September, the Village would have generated greater savings through the taxable advance refunding now. Rather than take on market risk, the Village could capture known savings in a low interest rate environment now as present value savings are well above the GFOA's recommended threshold of 3%.

Refinancing of DuPage Water Commission Loan

Potential Gross Savings - \$1,662,491
Potential Annual Savings - \$85,000
Potential PV Savings - \$1,569,949 -or- 8.8% of refunded par

The savings estimates assume that the DWC loan resets at the average rate to date (2.87%) over the life of the loan and that the loan amortizes with level annual debt service. Neither the Village's interest rate into the future or its annual payments are set at this time. By refinancing the loan, the Village would eliminate interest rate/market risk into the future, would lock in historically low interest rates given current market conditions, and would fix its annual payments to a known amount. Locking in a rate and amount going forward would help from a budget perspective.

Dalena Welkomer from Robert W. Baird will be available during the committee meeting to answer questions. If the Board's direction is to move forward with the debt refunding, a draft ordinance could be presented at the December 1 committee meeting and the final ordinance at the December 15, 2020 Board meeting for approval.

Village of Bartlett, Illinois

Hypothetical Illustration for Refunding DuPage Water Commission Loan

Assumed Aa1 Rating / Tax-Exempt Non Bank Qualified Interest Rates / Level Debt Service
Illustration is subject to change based on market conditions. Actual rates may vary from those assumed.

BEFORE REFUNDING										AFTER REFUNDING									
DuPage Water Commission Loan 2017										General Obligation Refunding Bonds, Series 2020 ⁽²⁾ Dated: December 9, 2020									
\$17,769,902										\$16,605,000									
Bond Year	Principal (Monthly)	Rate ⁽¹⁾	Interest (Monthly)	Total	Principal (12/1)	Assumed Coupon ⁽³⁾	Assumed Yield ⁽³⁾ (6/1 & 12/1)	Interest	Total	POTENTIAL DEBT SERVICE SAVINGS									
2021	\$684,028	3.18%/2.68%	\$465,873	\$1,149,901	\$550,000	4.000%	0.300%	\$510,791	\$1,060,791	\$89,110									
2022	\$777,946	2.68%/2.87%	\$463,993	\$1,241,939	\$655,000	4.000%	0.320%	\$500,400	\$1,155,400	\$86,539									
2023	\$784,163	2.870%	\$457,776	\$1,241,939	\$680,000	5.000%	0.340%	\$474,200	\$1,154,200	\$87,739									
2024	\$806,967	2.870%	\$434,972	\$1,241,939	\$715,000	5.000%	0.400%	\$440,200	\$1,155,200	\$86,739									
2025	\$830,434	2.870%	\$411,505	\$1,241,939	\$750,000	5.000%	0.530%	\$404,450	\$1,154,450	\$87,489									
2026	\$854,583	2.870%	\$387,355	\$1,241,939	\$790,000	5.000%	0.680%	\$366,950	\$1,156,950	\$84,989									
2027	\$879,435	2.870%	\$362,504	\$1,241,939	\$825,000	5.000%	0.840%	\$327,450	\$1,152,450	\$89,489									
2028	\$905,010	2.870%	\$336,929	\$1,241,939	\$870,000	5.000%	1.000%	\$286,200	\$1,156,200	\$85,739									
2029	\$931,328	2.870%	\$310,611	\$1,241,939	\$910,000	5.000%	1.180%	\$242,700	\$1,152,700	\$89,239									
2030	\$958,411	2.870%	\$283,528	\$1,241,939	\$960,000	2.000%	1.460%	\$197,200	\$1,157,200	\$84,739									
2031	\$986,283	2.870%	\$255,656	\$1,241,939	\$975,000	2.000%	1.590%	\$178,000	\$1,153,000	\$86,939									
2032	\$1,014,964	2.870%	\$226,975	\$1,241,939	\$995,000	2.000%	1.720%	\$159,500	\$1,153,500	\$88,439									
2033	\$1,044,480	2.870%	\$197,459	\$1,241,939	\$1,015,000	2.000%	1.850%	\$138,600	\$1,153,600	\$88,339									
2034	\$1,074,854	2.870%	\$167,085	\$1,241,939	\$1,035,000	2.000%	1.940%	\$118,300	\$1,153,300	\$88,639									
2035	\$1,106,111	2.870%	\$135,828	\$1,241,939	\$1,055,000	2.000%	2.040%	\$97,600	\$1,152,600	\$89,339									
2036	\$1,138,278	2.870%	\$103,661	\$1,241,939	\$1,080,000	2.000%	2.090%	\$76,500	\$1,156,500	\$85,439									
2037	\$1,171,379	2.870%	\$70,560	\$1,241,939	\$1,100,000	2.000%	2.130%	\$54,900	\$1,154,900	\$87,039									
2038	\$1,205,444	2.870%	\$36,495	\$1,241,939	\$1,120,000	2.000%	2.170%	\$32,900	\$1,152,900	\$89,039									
2039	\$615,804	2.870%	\$5,165	\$620,969	\$525,000	2.000%	2.210%	\$10,500	\$535,500	\$85,469									
				\$5,113,931	\$22,883,832					\$16,605,000									
										\$4,616,341	\$1,662,491								
										\$1,569,949	\$17,769,902								
										8.835%									
Interest Rate Sensitivity Analysis										+10 basis points -10 basis points									
Potential Present Value Savings										Potential Present Value Savings									
Par Amount of Bonds Refunded ⁽⁴⁾										\$1,397,198									
Potential Percent Present Value Savings ⁽⁵⁾										7.86%									

(1) Assumed rate of 3.18% through May 2021, resetting to 2.68% May 2021 through May 2022 and resetting to 2.87% through maturity. The rate of 2.87% represents the average rate from inception to May 2021. Principal is reamortized annually to achieve overall level debt service.

(2) Assumed total costs of issuance of \$18.00 per \$1,000 (approximately \$325,000). Preliminary, subject to change.

(3) This illustration represents a mathematical calculation of potential interest cost savings, assuming hypothetical current rates for non bank qualified general obligation bonds rated Aa1 as of October 5, 2020. Actual rates may vary. If actual rates are higher than those assumed, the interest cost savings would be lower. This illustration provides information and is not intended to be a recommendation, proposal or suggestion for a refinancing or otherwise be considered as advice.

(4) Assumed full pay-off of the loan with no pre-payment penalty.

(5) Calculated using the refunding bond yield of 1.685% as the discount rate.

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