VILLAGE OF BARTLETT COMMITTEE AGENDA NOVEMBER 3, 2020

FINANCE & GOLF, CHAIRMAN DEYNE

Debt Refunding Review



Agenda Item Executive Summary

Item Name

Debt Refunding Review

Committee

or Board

Committee

BUDGET	MPACT		
Amount:	\$28,070,000	Budgeted	N/A
List what fund	Debt Service Fund, Water Fund		

EXECUTIVE SUMMARY

Attached are two hypothetical schedules showing potential savings by refunding the General Obligation Bonds, Series 2012 and the DuPage Water Commission Loan for the water transmission line based on market conditions as of October 5, 2020. The 2012 Bonds refunding could potentially have a present value savings of over \$1.2 million and the DuPage Water Commission Loan refunding could potentially have a present value savings of over \$1.5 million. If the Board's direction is to move forward with the debt refundings, a draft ordinance could be presented at the December 1 committee meeting and the final ordinance at the December 15 board meeting.

ATTACHMENTS (PLEASE LIST)

Finance Department Memo

2012 Bonds Refunding Analysis

DuPage Water Commission Loan Refunding Analysis

ACTION REQUESTED

×	For Discussion	Only

- Resolution
- □ Ordinance
- ☐ Motion

Staff:

Todd Dowden, Finance Director

Date:

October 26, 2020

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 General Obligation Bonds, Series 2012
Assumed Aa1 Rating / Advance Refunding / Taxable Interest Rates
Illustration is subject to change based on market conditions. Actual rates may vary from those assumed.

	POTENTIAL	DEBT SERVICE SAVINGS			\$122,324	\$123,374	\$119,424	\$120,449	\$121,999	\$123,899	\$121,067	\$121,254	\$123,453	\$120,541	\$122,738		\$1,340,521	\$1,233,698	11.303%	+10 basis points -10 basis points	\$1,324,464
		Unrefunded Debt Service			\$319,369	\$292,125											\$611,494			+10 basis points	\$1,143,585
		s 2020 ⁽¹⁾	Total		\$275,326	\$274,276	\$568,226	\$994,226	\$1,195,926	\$1,185,526	\$1,533,046	\$1,519,146	\$1,501,947	\$1,933,259	\$1,900,062		\$12,880,966				
AFTER REFUNDING	\$11,465,000	Taxable GO Refunding Bonds, Series 2020 (1) Dated: December 1, 2020	Interest	(6/1 & 12/1)	\$170,326	\$169,276	\$168,226	\$164,226	\$155,926	\$145,526	\$133,046	\$114,146	\$91,947	\$68,259	\$35,062		\$1,415,966		alue Savings (4	nalysis	ings
AFTER R	\$11,4	O Refunding Dated: Dece	Coupon (2)	ig.	1.000%	1.000%	1.000%	1.000%	1.000%	1.200%	1.350%	1.580%	1.680%	1.780%	1.880%			nt Value Sav Bonds Refun	nt Present V	ensitivity A	nt Value Sav
		Taxable G	Principal	(12/1)	\$105,000	\$105,000	\$400,000	\$830,000	\$1,040,000	\$1,040,000	\$1,400,000	\$1,405,000	\$1,410,000	\$1,865,000	\$1,865,000		\$11,465,000	Potential Present Value Savings Par Amount of Bonds Refunded (3)	Potential Percent Present Value Savings (4)	Interest Rate Sensitivity Analysis	Potential Present Value Savings
* "	*	* *	*	* *	*	*	*	*	*	*	*	*	*	*	*	*	*				
		ries 2012	Total		\$717,019	\$689,775	\$687,650	\$1,114,675	\$1,317,925	\$1,309,425	\$1,654,113	\$1,640,400	\$1,625,400	\$2,053,800	\$2,022,800		\$14,832,981	LABLE MATURITIES			
REFUNDING	\$11,505,000	General Obligation Bonds, Series 2012 Dated: May 1, 2012	Interest	(6/1 & 12/1)	\$412,019	\$404,775	\$397,650	\$389,675	\$367,925	\$339,425	\$309,113	\$265,400	\$210,400	\$153,800	\$77,800		\$3,327,981	CALLABLE			
BEFORE REFU	\$11	al Obligation Bo Dated: May	Rate		2.375%	2.500%	2.750%	3.000%	3.000%	3.125%	3.250%	4.000%	4.000%	4.000%	4.000%						
		Genera	Principal	(12/1)	\$305,000	\$285,000	\$290,000	\$725,000	\$950,000	\$970,000	\$1,345,000	\$1,375,000	\$1,415,000	\$1,900,000	\$1,945,000		\$11,505,000				
			Bond	Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031						

⁽¹⁾ Assumed total costs of issuance of \$15.00 per \$1,000 (approximately \$173,000). Preliminary, subject to change.

12.13%

10.48%

Potential Percent Present Value Savings

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⁽²⁾ This illustration represents a mathematical calculation of potential interest cost savings, assuming hypothetical rates based on current rates for taxable 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.

⁽³⁾ Assumed the refunding of the 2023-2031 maturities.

⁽⁴⁾ Calculated using the refunding bond yield of 1.568% as the discount rate.

Village of Bartlett, Illinois

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

	POTENTIAL	DEBT SERVICE SAVINGS			\$89.110	\$86,539	\$87,739	\$86,739	\$87,489	\$84,989	\$89,489	\$85,739	\$89,239	\$84,739	\$88,939	\$88,439	\$88,339	\$88,639	\$89,339	\$85,439	\$87,039	\$89,039	\$85,469	\$1,662,491
Name of the last		2020 (2)	Total		\$1,060,791	\$1,155,400	\$1,154,200	\$1,155,200	\$1,154,450	\$1,156,950	\$1,152,450	\$1,156,200	\$1,152,700	\$1,157,200	\$1,153,000	\$1,153,500	\$1,153,600	\$1,153,300	\$1,152,600	\$1,156,500	\$1,154,900	\$1,152,900	\$535,500	\$21,221,341
SNIC	N23	General Obligation Refunding Bonds, Series 2020 ⁽²⁾ Dated: December 9, 2020	Interest	(6/1 & 12/1)	\$510,791	\$500,400	\$474,200	\$440,200	\$404,450	\$366,950	\$327,450	\$286,200	\$242,700	\$197,200	\$178,000	\$158,500	\$138,600	\$118,300	\$97,600	\$76,500	\$54,900	\$32,900	\$10,500	\$4,616,341 \$21,221,341
AFTER REFUNDING	\$16,605,000	lation Refunding Bonds, S Dated: December 9, 2020	Assumed	Yield (3)	0.300%	0.320%	0.340%	0.400%	0.530%	0.680%	0.840%	1.000%	1.180%	1.460%	1.590%	1.720%	1.850%	1.940%	2.040%	2.090%	2.130%	2.170%	2.210%	1 11
AFTE	69	bligation R Dated:	Assumed Assumed	Coupon (3) Yield (3)	4.000%	4.000%	5.000%	2.000%	2.000%	5.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	
		General O	Principal	(127)	\$550,000	\$655,000	\$680,000	\$715,000	\$750,000	\$790,000	\$825,000	\$870,000	\$910,000	\$960,000	\$975,000	\$995,000	\$1,015,000	\$1,035,000	\$1,055,000	\$1,080,000	\$1,100,000	\$1,120,000	\$525,000	\$16,605,000
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		an	Total		\$1,149,901	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$1,241,939	\$620,969	\$22,883,832
FUNDING	9,902	ommission Lo 17	Interest	(Monthly)	\$465,873	\$463,993	\$457,776	\$434,972	\$411,505	\$387,355	\$362,504	\$336,929	\$310,611	\$283,528	\$255,656	\$226,975	\$197,459	\$167,085	\$135,828	\$103,661	\$70,560	\$36,495	\$5,165	\$5,113,931
BEFORE REFUNDING	\$17,769,902	DuPage Water Commission Loan 2017	Rate (1)		3.18%/2.68%	2.68%/2.87%	2.870%	2.870%	2.870%	2.870%	2.870%	2.870%	2.870%	2.870%	2.870%	2.870%	2.870%	2.870%	2.870%	2.870%	2.870%	2.870%	2.870%	
		0	Principal	(Monthly)	\$684,028	\$777,946	\$784,163	\$806,967	\$830,434	\$854,583	\$879,435	\$905,010	\$931,328	\$958,411	\$986,283	\$1,014,964	\$1,044,480	\$1,074,854	\$1,106,111	\$1,138,278	\$1,171,379	\$1,205,444	\$615,804	\$17,769,902
			Bond	Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	

Interest Rate Sensitivity Analysis	+10 basis points	-10 basis points
Potential Present Value Savings	\$1,397,198	\$1,745,384
Potential Percent Present Value Savings	7.86%	9.85%

8.835%

Potential Percent Present Value Savings (5).

Par Amount of Bonds Refunded (4). Potential Present Value Savings.

\$1,569,949 \$17,769,902 Baird is providing this information to you for discussion purposes only in seeking to serve as a financial advisor or municipal advisor to you on a possible issuance of municipal securities. Baird is a municipal advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board ("MSRB"). A financial advisor or municipal advisor is subject to a fiduciary duty, including a duty of care and a duty of loyalty, and is required to act solely in the best interests of the client. See "Important Disclosures" contained herein.



⁽¹⁾ Assumed rate of 3.18% through May 2021, resetting to 2.68% May 2021 through May 2022 and resetting to 2.87% May 2022 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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