

Fircrest Public Works

To: Bill Brandon, City Manager

From: William Larkin IV, Interim Public Works Director

Re: General Update July 16, 2009

Responses to Council Requests:

The following indicates the cost of various methods of financing the Relocation of Backyard Sewer Mains Project.

I contacted a bond counsel regarding interest rates for various bonding situations. The following is the information received from that conversation, along with comparisons to a 0.5% PWTF loan.

20-year revenue bond interest would be about 4.2% plus a 2% bond issuance fee.

30-year revenue bond interest would be about 4.5% plus a 2% bond issuance fee.

Based on these rates, the annual debt service on a 20-year \$10 million revenue bond at 4.2% interest would be about \$739,900 plus bond issuance fees of \$200,000 for a total cost of \$14,998,000.

The annual debt service on a 30-year \$10 million revenue bond at 4.5% interest would be about \$608,000 plus bond issuance fees of \$200,000 for a total cost of \$18,440,000, or \$3,442,000 more than a 20-year bond.

The annual debt service on a 20-year 0.5% PWTF loan would be about \$551,820 plus a first year interest only payment of \$50,000, for a total cost of \$10,534,600.

A \$10,000,000 PWTF loan would require a local match of \$1,176,000. No local match, other than the bond issuance costs would be required for a bond.

A bond would require a 10% reserve as a guarantee of the availability to meet annual payment.

Bond counsel also indicated a minimum 125% revenue factor is required, with a 200% being desirable to obtain the best interest rate.