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MEMORANDUM
VIA EMAIL

TO:	**Ms. Linda Senne, CPA** **Finance Director** **City of Venice, Florida**
CC:	**Mr. Ed Lavallee** **City Manager** **City of Venice, Florida**
FROM:	**Jeff Larson – President, Larson Consulting Services ("LCS")** **Nicole Larson Sydney, Vice President** **Financial Advisor to the City**
DATE:	**May 18, 2020**
RE:	**City of Venice, Florida – Cash Defeasance- Series 2012 Utility Bonds; City Resolution No. 2020-13**

As the Financial Advisor to the City, we routinely check on refunding and restructuring opportunities, in addition to analysis on new money Note and Bond issues. With interest rates at historically low levels, and additional fiscal and monetary support to further reduce rates following unprecedented levels of Federal Government and FOMC/FED actions, we have looked at the City's existing Utility System Debt and General Fund Debt. The Series 2015 Utility Bonds and recent two 2017 GO Bond issues were reviewed, but did not provide any potential benefit at this time.

A. SERIES 2012 UTILITY BONDS: CASH DEFEASANCE

This review led the LCS team to focus on the 2012 Utility Bonds and involved first confirming that there is ample, unrestricted cash/investments at the City Utility System to cash defease the bonds out to its call date of December 1, 2022. This was confirmed by our review of the 2019 City CAFR and discussions with you on this estimated $19 Million Escrow.

Following the defeasance analysis, we also reviewed the City's Utility System CIP, and obtained an updated spreadsheet that showed approximately $81 Million in need, with an estimated $10 Million of external borrowing needed in 2021-22. We ran some new money schedules, with no extension of maturities beyond December 1, 2042 and compared the older higher coupon debt with the proposed new money of similar size and saw substantial potential savings. These results were shared with the City, and also reviewed on a conference call with the City's Bond Counsel, Nabors Giblin Nickerson. Further discussions on the CIP, and potential for SRF funding, and Grant Funding, led us to recommend, to be conservative, delaying an additional $10 Million in projects and focus on a new money issue funding approximately $20 Million in CIP.

B. **BENEFITS TO THE CITY:**

Summary comparison of the benefits of defeasing the higher coupon debt having an average interest rate of 3.75%, and issuing new money bonds at these low rates (a True Interest Cost ("TIC" of 2.48%), resulted in lower total debt service of around $2.6 Million, or $1.5 Million after netting out the planned release of the $1.0 Million 2012 Debt Service Reserve Fund. The present value potential debt service benefit in this comparison exceeded $1 Million and 5.5% to 6.0% on a PV comparison basis. The debt service comparison evidenced significant net savings of $1.5 Million.

C. **RECOMMENDATION AND SUMMARY :**

Based on the above, we recommend the Finance Plan developed for the City. Defeasing the Utility 2012 bonds, and following up with a subsequent , separate 2020 new money issue as these historically low interest rates provide a strong level of debt service benefits on a comparison basis to the City exceeding $1.5 Million.

We recommend the City Council's consideration of:

1) Approving Resolution No. 2020-13 for the Cash Defeasance of the City's Series 2012 Utility Bonds,
2) A Motion for City Staff to continue to work with its Financial Advisor and other Team members on the proposed Series 2020 bonds, bringing this back to the City Council in June for its consideration following updated discussions with the Rating Agencies.

We will be happy to address any of City Council's questions at your upcoming May 26th Council Meeting.
JTL