

Office of the County Auditor

Auditor's Analysis

Council Bill No. 2-2021

Introduced: January 4, 2021

Auditor: Owen Clark

Fiscal Impact:

The anticipated fiscal impact of this legislation is estimated cost savings of \$1,379,183 through FY 2030 on future capital lease payments. These savings would impact the following funds and their revenue sources:

- \$974,336 in the General Fund
- \$318,573 in the Technology and Communications Internal Service Fund
- \$86,274 in the Water and Sewer Fund

This preliminary savings analysis was provided by the County's municipal advisor. A copy of their analysis can be provided to the Council upon request. See **Attachment A** for a breakdown of these savings by lease and on an annual basis.

Our Office would like to emphasize these estimated savings were estimated based on tax-exempt market rates as of November 16, 2020, and are subject to market fluctuation and the outcome of the competitive sale noted below.

The Administration plans to finance all costs related to this transaction. These estimated costs include:

- Redemption Premium of \$295,871
- Accrued Interest of \$21,253
- Issuance Costs of \$75,000

Purpose:

The purpose of this legislation is to authorize the County to refinance up to \$25 million of its outstanding Capital Lease obligations by selling Certificates of Participation (COPs).

The Administration has indicated:

- The sale of COPs is expected to take place in February 2021 via a competitive sale.
- The specific terms of this sale will be stipulated by Executive Order, similar to the process currently used for County bond sales.
- The County plans to refinance four Capital Lease agreements.
- The criteria for selecting the capital leases to be refinanced was the expectation to generate at least 3 percent savings on future lease payments (using net present value).

Other Comments:

Our Office has confirmed with the Administration that:

- This is the first time the County has refinanced capital leases through the sale of COPs.
- An Official Statement for this competitive sale of COPs will be made available on the County's public website, similarly to what is done with Bond Information.

Attachment A
Estimated Capital Lease Payment Savings

Note: This information was derived from the analysis performed by the County’s municipal bond advisor, Davenport & Company LLC.

Fiscal Year	Prior Debt Service	Refunding Debt Service	Net Budgetary Savings
2021	\$ 694,797	\$ 656,000	\$ 38,797
2022	2,744,833	2,558,521	186,312
2023	3,666,049	3,478,000	188,049
2024	3,706,027	3,526,625	179,402
2025	3,749,882	3,561,125	188,757
2026	2,967,845	2,782,375	185,470
2027	1,897,707	1,795,375	102,332
2028	1,943,171	1,839,125	104,046
2029	1,570,571	1,466,750	103,821
2030	1,295,322	1,193,125	102,197
Total	\$ 24,236,204	\$ 22,857,021	\$ 1,379,183

Lease Series	Prior Debt Service	Refunding Debt Service	Net Budgetary Savings
2015 Master Equipment Lease Purchase	\$ 13,319,662	\$ 12,430,104	\$ 889,558
2017 Transit Bus Lease (SunTrust)	1,496,675	1,411,896	84,779
2018 Portable Radio Lease	6,696,281	6,377,708	318,573
2019 Water Meters Lease	2,723,586	2,637,313	86,273
Total	\$ 24,236,204	\$ 22,857,021	\$ 1,379,183