



Memorandum

TO: Town Council

FROM: Finance Department

DATE: July 7, 2020

SUBJECT: Vail Reinvestment Authority (VRA) Bond Refunding **Update**

I. SUMMARY

On May 19, 2020 Town Council, approved Resolution No. 17, Series 2020, a resolution authorizing the town to enter into a moral obligation and cooperation agreement with the VRA relating to the bond refunding. The purpose of this memorandum is to update Council on the status of the bond refinance.

II. BACKGROUND

(Repeated)

In November of 2010 the VRA issued \$3,670,000 of tax-exempt tax increment revenue bonds "Series 2010A" along with \$8,270,000 of taxable tax increment revenue bonds "Series 2010B". The bond proceeds were used to finance the construction of the Lionshead Transit Center, the Lionshead Welcome Center and Grand View, Lionshead portal entries, as well as major renovations at the Vail Public Library. These bonds are special limited obligations of the VRA, secured and funded by pledged incremental property tax revenues in the district.

The Series 2010A bonds were paid off as of June 1, 2018.

The Series 2010B bonds have a current principal amount of \$7,140,000 as of 6/1/2020, with a current annual interest rate ranging from 6.069% to 6.659%. The Series 2010B bonds are "Build America Bonds", which provided a federal subsidy known as the "BAB Credit" equal to 35% of corresponding interest as provided under the American Recovery and Reinvestment Act of 2009. This "BAB Credit" has decreased annually since 2013 due to federal budget reductions.

A team was selected and assembled to facilitate the refunding process consisting of Jonathan Heroux, of Piper-Sandler (placement agent) and Dee Wisor of Butler Snow LLP (bond counsel), Mattie Prodanovic (financial advisor) of Hilltop Securities, Scott Robson, Town Manager, Matt Mire, Town Attorney and Kathleen Halloran, Finance Director.

(New)

Refinance Activities

On May 28, a Request for Proposal (RFP) was sent out to 35 banks for the bank placement. Seven proposals were returned and reviewed by the refinance team in June. Upon review, JP Morgan Chase was selected as the winning bid. While a few local banks replied to the RFP, there was a significant difference in the interest rate offered by Chase.

Highlights of the pending refinance include:

- True interest cost of **1.19%**, compared to current rates of 6.1% to 6.7%
- 10-year term, maturing June 1, 2030
- New loan amount: \$6,386,000
- **Net Present Value savings \$1,115,124** over the life of the bonds, compared to earlier estimates of just over \$700K.
- Closing date: July 15

III. NEXT STEPS

Next steps include the legal team drafting documents for review. Once finalized, the documents will be ready for an estimated closing date of July 15, 2020.

Staff will incorporate the revised debt service expenditure amounts into the VRA budget in a future meeting.