



June 29, 2023

# Memorandum

**To:** DeKalb County, GA Board of Commissioners

**From:** PFM Financial Advisors LLC

**RE:** Recommendations related to refinancing DeKalb's 2013 Water & Sewer Bonds for Savings

## Executive Summary

The team from PFM Financial Advisors LLC ("PFM") understands the objective of the administration of DeKalb County, GA ("the County") is to review the refinancing of the County's Water and Sewerage Revenue Refunding Bonds (Second Resolution), Series 2013 ("2013 Bonds") for savings and to develop a plan for execution. PFM offers the County the following recommendations:

- 1) *The County should refinance its 2013 Bonds this fall because savings currently exceed the County's refunding savings threshold of 5%.*
- 2) *The County should execute this transaction via a competitive public sale. We believe a competitive public sale is the County's best option to efficiently enter the market, which would keep the cost of capital as low as possible, thereby increasing savings.*

## Refunding of 2013 Bonds - Method of Sale Considerations

A refinancing of the 2013 Bonds would generate significant savings for the County. We believe the County should refund these bonds as long as the savings exceeds the County's threshold as stated in its debt policy at 5% of refunded principal. Net present value savings, assuming a competitive public sale as of June 23, 2023, are \$9.9 million or 15.6% of refunded par, as seen in the table below.

Indicative Rates Below as of June 23, 2023				
	Public Sale (TIC)	Low Bank Rate	Median Bank Rate	High Bank Rate
<b>Par Amount</b>	\$56,155,000	\$65,065,000	\$65,055,000	\$65,000,000
<b>COI (\$5/Bond)</b>	\$280,775	\$200,000	\$200,000	\$200,000
<b>UW Discount (\$5/Bond)</b>	\$280,775	None	None	None
<b>Assumed Coupon/Yield</b>	5.00% / 2.85%	3.59%	3.75%	4.78%
<b>TIC</b>	2.99%	3.59%	3.75%	4.78%
<b>NPV Savings (\$)</b>	\$9,881,670.85	\$6,667,955.14	\$5,840,323.90	\$794,015.48
<b>NPV Savings (\$%)</b>	15.57%	10.50%	9.20%	1.26%

In today's market, a competitive public sale will likely result in a slightly lower cost of capital than a private placement, which would generate greater debt service savings. Also displayed in the table above is a comparison of estimated public sale versus private placement market savings based on indicative public sale rates from PFM's Pricing Group and indicative private placement rates from several large investment banks.

Finally, a competitive public sale will allow the County to more efficiently enter the market to lock in savings, as opposed to a negotiated public sale. Given the success of DeKalb's competitive public sale in 2022, we feel confident a competitive public sale will allow the County to successfully meet its objectives.