



March 3, 2022

## Refunding Opportunity Memorandum

**To:** Stephen Okiye, City of Port St. Lucie  
**From:** Jay Glover, Managing Director -- PFM Financial Advisors LLC  
**Re:** Refunding Opportunity – Utility System Refunding Revenue Bonds, Series 2012

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As financial advisor to the City of Port St. Lucie (the “City”), PFM Financial Advisors LLC (PFM) continually reviews the City’s outstanding debt to look for potential refunding opportunities. Given the current interest rate environment, the City has an opportunity to refund the outstanding Utility System Refunding Revenue Bonds, Series 2012 (the “2012 Bonds”) for net present value (NPV) debt service savings.

### **Outstanding 2012 Bonds Details**

The 2012 Bonds are outstanding in the par amount of \$16,275,000 maturing in years 2022-2029 with tax-exempt interest rates ranging from 3.75% - 5.00%. The 2012 Bonds are callable September 1, 2022 at par and are thus eligible to be currently refunded 90 days prior to this initial call date.

### **Estimated Current Refunding Results**

By currently refunding the 2012 Bonds, we estimate the City could realize approximately \$1.5 million of NPV debt service savings (net of all costs associated with completing the transaction) or 9.5% of the refunded bonds par amount. This equates to annual savings of approximately \$230,000 through 2029 (no extension of final maturity).

### **Additional Considerations**

The City has the option to pursue the issuance of Utility System Refunding Revenue Bonds, Series 2022 (the “2022 Bonds”) via a direct placement bank loan or public offered bonds. Given the desire to move in an expediated manner to take advantage of the current low interest rate environment, low costs of issuance, and recent aggressive bids received from financial institutions for comparable transactions, PFM recommends the City pursue a privately placed direct bank loan, which in today’s market is expected to be an efficient and cost-effective method of financing. While the public bond market might offer a slightly lower interest rate, the longer time horizon to complete this option exposes the City to greater potential for rising interest rates in a volatile time in the market.

### **Recommendation**

Based on the above-described analysis and the substantial savings to be achieved, we would recommend the City provide PFM the direction to prepare a bank loan RFP to solicit proposals from local, regional and national financial institutions in order to identify a lender that could provide the City with a direct bank loan at the lowest overall borrowing cost and most favorable conditions. Assuming favorable results, the financing team would prepare a Bond Resolution that would be brought before City Council for consideration at a future meeting (likely in April).

If you have any questions, please feel free to contact me at 407-406-5760 or [gloverj@pfm.com](mailto:gloverj@pfm.com).