



City of Sedalia
Finance Department
200 S. Osage
Sedalia, MO 65301
(660)827-3000 www.cityofsedalia.com

To: Gary Edwards
City Administrator

From: Kelvin L. Shaw, CPA
Finance Director

Date: January 11, 2017

Re: Refunding Certificates Of Participation Series 2007 (COPs 2007)

As a brief background reminder, the plan related to the Police Department facility project includes the refinancing of the existing COPs 2007 to reduce the debt service requirements on this issue to help make room for the added debt service to the construct the new facility. Due to the timing of the call date of the COPs 2007 in relationship to the design and construction timing of the new facility, and in order to reduce the risk of interest rates rising, we have separated this into two separate issues. We will first refinance the COPs 2007, then as the design and thereby the construction costs are firmed up on the facility, we will undertake that portion of the financing.

We have worked with our Municipal Advisor, Springsted Incorporated and our Legal Counsel, Gilmore & Bell, P.C. to negotiate and bring together the documents to effect the refinancing of the COPs 2007 and have those ready for Council's consideration at their January 17th meeting. During previous meetings, Council has approved a Commitment Letter with the investor, Capital One Public Funding, LLC, as well as, an Engagement Letter for a placement agent with Piper Jaffray & Co. that set the stage for these documents now being submitted for Council's consideration.

The new issue (COPs 2017) is a \$3.6M issue amortized over the next 9 years at an interest rate of 2.55%. Note that the reason for what may seem to be an odd number of years of amortization is to fit within the sunset of the current capital improvements sales taxes in 2026. This refinancing represents a cash flow savings of over \$250k per year in the short-term and \$800k over the life of the certificates. The present value of the savings is \$330k. The savings are primarily derived from the reduced interest rate from roughly 4.4% to the 2.55% along with removing the requirement of a debt reserve fund of over \$800k, offset in part by extending the final maturity by 3 years from 2023 to 2026.

Also related to this transaction, we have prepared for Council's consideration a budget amendment to take into consideration the Bond Proceeds from the new issue and to appropriate these funds to refund or pay off the existing COPs 2007 along with the related costs of issuance.

Please do not hesitate to contact me if you have any questions or concerns regarding this transaction, or if you would like any additional information.