



TOWN OF FAIRFAX

STAFF REPORT

May 6, 2020

TO: Mayor and Town Council

FROM: Garrett Toy, Town Manager
Michael Vivrette, Finance Director

SUBJECT: Approve agreements with the Town's Financial Advisor, Wulff, Hansen & Co, to explore financing strategies for the Town's current retirement obligations

RECOMMENDATION

Authorize the Town Manager to execute agreements with the Town's Financial Advisor, Wulff, Hansen & Co, to explore financing strategies for the Town's current retirement obligations.

DISCUSSION

In FY16-17, the Town worked with the Town's Municipal Advisor, Mark Pressman of Wulff, Hansen & Co, to explore refinancing of the Town's retirement liability as well as the potential for financing additional capital improvements with the savings. After discussing the options, the Council decided that it wanted to refinance only the side fund and pre-2013 UAL pension obligations. The Council approved the refinancing in 2017. The refinancing was structured as a long-term lease agreement secured by Town Hall and the Gymnasium and was anticipated to save the Town over \$1.4 million in interest over the 20-year period.

In the current environment of lower interest rates, staff believes it would benefit the Town to explore options for refinancing the side fund and pre-2013 UAL (approximately \$2.9 million), as well as the Town's current unfunded pension liability (approximately \$6.5 million), to lower rates, thus, saving the Town additional money. The options include

- 1) renegotiating the interest rate with Capital One who currently holds the lease agreement secured by Town Hall and the Gymnasium,
- 2) refinancing the lease agreement with a new lender,
- 3) refinancing the unfunded pension liability, and
- 4) combining the side fund, pre-2013 UAL, and unfunded pension liability into one new refinancing structure. A side benefit of the proposed combined transaction (Option 4) would be that Town Hall and the Gymnasium would no longer be required as security on the transaction. However, the Town's financial advisor cannot move forward to explore the options without an agreement in place per state/federal regulations.

In terms of process, the Town's financial advisor would analyze the options and discuss with staff. Mr. Pressman would discuss the advantages and disadvantages of each option. These options would then be brought to the Town's Finance Committee for consideration and a recommendation would be made to the Council. The Town would only incur costs if it chooses an option to pursue and closes on the transaction.

The costs are as follows for the 4 options:

Service		Advisor Fee
1)	Renegotiation of Lease with existing lender	\$10,000
2)	Refinancing of Lease with new lender	\$27,500
3)	New Pension Obligation Bond	\$52,500
4)	Service 1) Financing of New Pension Obligation Bond and Service 3) Refinancing of Lease, as part of a single transaction	\$62,500

The specific costs would be included in the refinancing costs and would be paid from the transaction proceeds only if a transaction is completed.

FISCAL IMPACT

Depends on the option. Any fee to Wulff Hansen would be 100% contingent on completion of a transaction or renegotiation of the current lease, depending on the option selected. The fee would be paid out of the transaction proceeds.

ATTACHMENTS

Agreements