



TOWN OF FAIRFAX

STAFF REPORT

October 7, 2020

TO: Mayor and Town Council

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

SUBJECT: Receive report on the issuance of lease revenue bonds to refinance unfunded pension obligations

RECOMMENDATION

Receive report.

DISCUSSION

On September 2, 2020, the Council and Fairfax Financing Authority approved the issuance of Taxable Lease Revenue Bonds to refinance certain retirement obligations of the Town, including the 2017 Lease and the CalPERS Unfunded Accrued Liability (the "UAL").

Specifically, the Town accepted Capital One's proposal for a private placement of the Bonds at an interest rate at 3.45%. At the September meeting, the Town's Municipal Advisor, Wulff, Hansen & Co., estimated the combined private placement transaction would save the Town a total of approximately \$3.626 million in interest payments from its various retirement obligations as a result of the 2020 financing. That savings is in addition to the \$1.023 million in interest savings resulting from the Lease financing the Town completed in 2017.

We are pleased to report that the transaction closed on September 29, 2020 and we had higher savings than estimated. The Town's Municipal Advisor reports the following savings:

	Final Numbers	As shown at the August 19th Town Council meeting
<hr/> <i>Taxable Lease Revenue Bonds, Series 2020</i>		
<i>Par Amount of Bonds</i>	9,402,000	9,465,000
Savings from 2020 Lease Refunding (2017 Lease)	\$ 551,432	\$ 491,729
Projected savings from 2020 CalPERS UAL Financing*	3,729,183	3,134,738
Total savings from Lease Revenue Bonds, Series 2020	4,280,615	3,626,467
<hr/> <i>Previous pension obligation financing</i>		
Savings from 2017 Lease (CalPERS Side Fund Financing)	1,023,550	1,023,550
Total savings on pension obligations (2020 and 2017)	5,304,165	4,650,017

**Projected savings from 2020 CalPERS UAL Financing are derived by comparing the new bond debt service to the UAL amortization schedule as provided to the Town by CalPERS in its July 2020 Actuarial Valuation. CalPERS' projected amortization schedules assume there are no future plan changes, no further changes in assumptions other than those recently approved, and no future liability gains or losses. Such changes can have a significant impact on required future contributions. CalPERS projections are subject to change and significant uncertainty. For further information about this uncertainty and the associated risks, please refer to the CalPERS Actuarial Valuation Reports. New bond debt service is fixed and is not subject to change during the life of the bond issue.*

AGENDA ITEM #1

The projected savings from the 2020 CalPERS UAL Financing are approximately \$650,000 higher than what was previously estimated due to increases in CalPERS UAL payment schedules published in CalPERS' latest Actuarial Valuation Reports for Town retirement plans. Additionally, the final par amount of bonds came in below projections by \$63,000. The lower borrowing amount is due to a reduction of approximately \$30,000 in Costs of Issuance, as well as a reduction to the final payoff amounts of the refinanced obligations by approximately \$30,000.

FISCAL IMPACT

n/a

ATTACHMENTS

n/a