

City of Franklin, Tennessee  
DEPFA Refunding Options - *Expanded*  
August 14, 2014

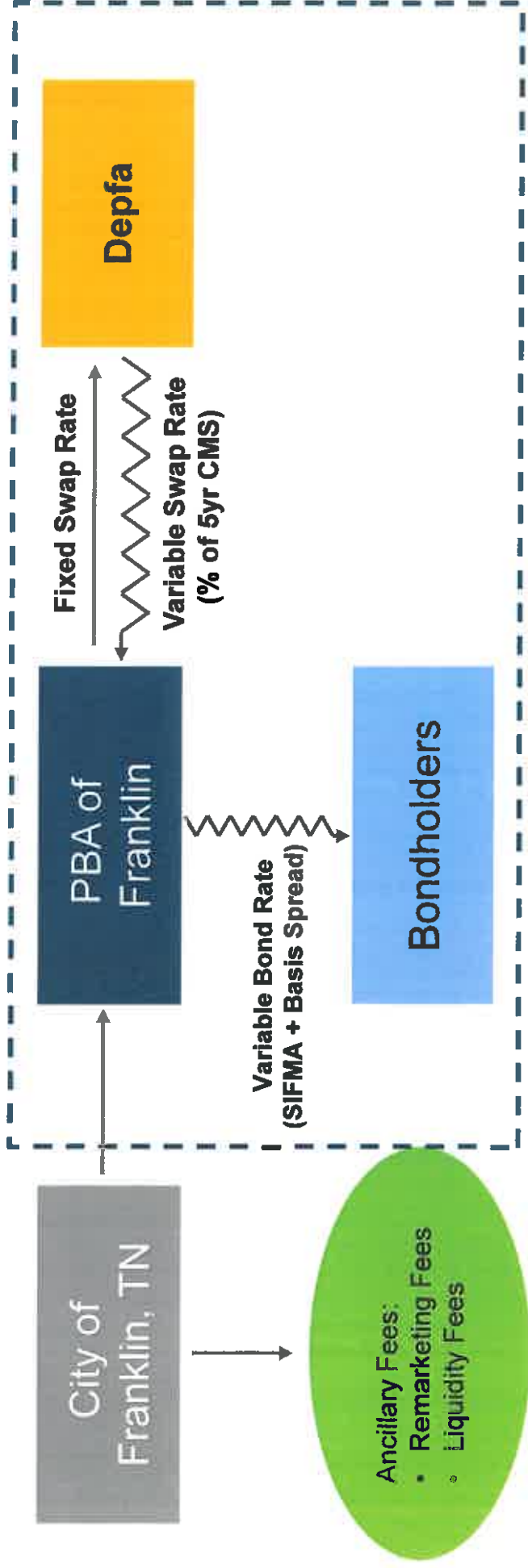
ITEM #2  
FINANCE  
08/14/14



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# Base Case Mechanics



# Base Case Economics

## Current Economics - Base Case

Bond Year	Series 2007 Principal	Swap Rate	Above Market	Remarketing Fee	SBPA Fee	Int. based on Depreciating 0.2600%	Remarketing Fee	Standby BPA Premium	Total Debt Service for the 2007 Bonds	Other Fees 0.29%	Aggregate DS
		3.590%	0.260%	0.125%	0.160%						
6/1/2015	=	718,000		25,000	32,000	52,000			770,000	57,000	827,000
6/1/2016	=	718,000		25,000	32,000	52,000			770,000	57,000	827,000
6/1/2017	=	718,000		25,000	32,000	52,000			770,000	57,000	827,000
6/1/2018	=	718,000		25,000	32,000	52,000			770,000	57,000	827,000
6/1/2019	=	718,000		25,000	32,000	52,000			770,000	57,000	827,000
6/1/2020	=	718,000		25,000	32,000	52,000			770,000	57,000	827,000
6/1/2021	=	718,000		25,000	32,000	52,000			770,000	57,000	827,000
6/1/2022	=	718,000		25,000	32,000	52,000			770,000	57,000	827,000
6/1/2023	=	718,000		25,000	32,000	52,000			770,000	57,000	827,000
6/1/2024	=	718,000		25,000	32,000	52,000			770,000	57,000	827,000
6/1/2025		1,175,000		23,531	30,120	52,000			1,945,000	53,651	1,998,651
6/1/2026		1,225,000		22,000	28,160	48,945			1,949,763	50,160	1,999,923
6/1/2027		1,300,000		20,375	26,080	45,760			1,977,600	46,455	2,024,055
6/1/2028		1,350,000		18,688	23,920	42,380			1,977,550	42,608	2,020,158
6/1/2029		1,400,000		16,938	21,680	38,870			1,975,575	38,618	2,014,193
6/1/2030		1,450,000		15,125	19,360	35,230			1,971,675	34,485	2,006,160
6/1/2031		1,525,000		13,219	16,920	31,460			1,990,850	30,139	2,020,989
6/1/2032		1,575,000		11,250	14,400	27,495			1,982,138	25,650	2,007,788
6/1/2033		1,650,000		9,188	11,760	23,400			1,996,500	20,948	2,017,448
6/1/2034		1,725,000		7,031	9,000	19,110			2,007,975	16,031	2,024,006
6/1/2035		1,800,000		4,781	6,120	14,625			2,016,563	10,901	2,027,464
6/1/2036		1,875,000		2,438	3,120	9,945			2,022,263	5,558	2,027,820
6/1/2037		1,950,000		-	-	5,070			2,025,075	-	2,025,075
		20,000,000		414,563	530,640	914,290			33,538,525	945,203	34,483,728

1) Base Case and Option A do not account for variable rate paid to bond holders or the variable rate receivable on the swap.

2) Assumes Ancillary fees remain the same for the life of the Bonds.

# Refinancing Options

A. Replacing DEPFA - Alternate Provider

# Option A - Replacing DEPFA with Alternate Provider

- The City would replace DEPFA as the SBPA provider and Swap provider as a means of reducing risk and potentially saving money.

	DEPFA	Alternate Provider <sup>1</sup>
SBPA Premium (%)	0.16	0.35
Spread over SIFMA (%)	<u>0.26</u>	<u>0.00</u>
Total Variable Rate (%)	0.42	0.35

- An alternate SBPA will likely be for a 3 year term and require a renewal or replacement SBPA provider at the end of the 3 year term.
- The City could also look at the economics of a 5 year term SBPA but at a higher premium (estimated to be 45 bps (0.45%).
- The City would replace DEPFA as the Swap provider by novating the existing swap to another provider. The “novation” of the swap contract would not change the economics for the City.

<sup>1</sup> Based on market research for an alternative SBPA for a three year facility.

# Option A - Replacing DEPFA with Alternate Provider continued...

	Option A – Replace Depfa
Swap Termination Cost	N/A
Costs of Issuance Estimates	Yes; Estimated to be approximately \$163,000
Ongoing Ancillary Expenses (per year)	Yes; Estimated to be approximately \$95,000 (remarketing/SBPA)
Timing	Estimated at 8 weeks
Swap Advisor	Needed to novate the swap to alternate provider and included in the Costs of Issuance Estimates
Approval – Office of State and Local Finance	Yes; Associated with the swap novation
Ratings	Yes, Assumes Moody's Short-Term rating is needed
Amortization	Keep as is (2025-2037)

# Option A - Replacing DEPFA with Alternate Provider Economics

## Option A - Replace DEPFA (novate swap)

Bond Year	Series 2007 Principal	Swap Rate	Above Market	Remarketing Fee	SBPA Fee	Int. based on Depfa rating	Standby BPA Premium	Total Debt Service for the 2007 Bonds	Other Fees 0.48%	Aggregate DS	Base Case Economics
		3.5900%	0.000%	0.125%	0.35%						
		Int. on Swapped Piece		Fee		0.0000%					
6/1/2015	-	718,000	-	25,000	70,000	-	718,000	95,000	813,000	827,000	
6/1/2016	-	718,000	-	25,000	70,000	-	718,000	95,000	813,000	827,000	
6/1/2017	-	718,000	-	25,000	70,000	-	718,000	95,000	813,000	827,000	
6/1/2018	-	718,000	-	25,000	70,000	-	718,000	95,000	813,000	827,000	
6/1/2019	-	718,000	-	25,000	70,000	-	718,000	95,000	813,000	827,000	
6/1/2020	-	718,000	-	25,000	70,000	-	718,000	95,000	813,000	827,000	
6/1/2021	-	718,000	-	25,000	70,000	-	718,000	95,000	813,000	827,000	
6/1/2022	-	718,000	-	25,000	70,000	-	718,000	95,000	813,000	827,000	
6/1/2023	-	718,000	-	25,000	70,000	-	718,000	95,000	813,000	827,000	
6/1/2024	-	718,000	-	25,000	70,000	-	718,000	95,000	813,000	827,000	
6/1/2025	1,175,000	718,000	-	23,531	65,888	-	1,893,000	89,419	1,982,419	1,998,651	
6/1/2026	1,225,000	675,818	-	22,000	61,600	-	1,900,818	83,600	1,984,418	1,999,923	
6/1/2027	1,300,000	631,840	-	20,375	57,050	-	1,931,840	77,425	2,009,265	2,024,055	
6/1/2028	1,350,000	585,170	-	18,688	52,325	-	1,935,170	71,013	2,006,183	2,020,158	
6/1/2029	1,400,000	536,705	-	16,938	47,425	-	1,936,705	64,363	2,001,068	2,014,193	
6/1/2030	1,450,000	486,445	-	15,125	42,350	-	1,936,445	57,475	1,993,920	2,006,160	
6/1/2031	1,525,000	434,390	-	13,219	37,013	-	1,959,390	50,231	2,009,621	2,020,989	
6/1/2032	1,575,000	379,643	-	11,250	31,500	-	1,954,643	42,750	1,997,393	2,007,788	
6/1/2033	1,650,000	323,100	-	9,188	25,725	-	1,973,100	34,913	2,008,013	2,017,448	
6/1/2034	1,725,000	263,865	-	7,031	19,688	-	1,988,865	26,719	2,015,584	2,024,006	
6/1/2035	1,800,000	201,938	-	4,781	13,388	-	2,001,938	18,169	2,020,106	2,027,464	
6/1/2036	1,875,000	137,318	-	2,438	6,825	-	2,012,318	9,263	2,021,580	2,027,820	
6/1/2037	1,950,000	70,005	-	-	-	-	2,020,005	-	2,020,005	2,025,075	
	20,000,000	12,624,235	-	414,563	1,160,775	-	32,624,235	1,575,338	34,199,573	34,483,728	

1) Base Case and Option A do not account for variable rate paid to bond holders or the variable rate receivable on the swap.

2) Assumes Ancillary fees remain the same for the life of the Bonds.

# Option A – Replacing DEPFA with Alternate Provider Costs of Issuance

Option A - Replace Depfa with alternate provider (Novate Swap)		
Role	Provider	Estimated
Underwriter/Remarketing Agent	Raymond James	n/a
Municipal Advisor	PFM	45,000
Bond Counsel	BBS	50,000
Swap Advisor	TBD	20,000
Ratings	Moody's - <i>Short-Term</i>	10,500
Trustee	Regions	n/a
Paying Agent	n/a	n/a
SBPA Counsel	TBD	37,500
<b>Total Estimated Costs of Issuance</b>		<b>163,000</b>
Option A - Ancillary Costs of Issuance (annualized)		
Role	Provider	Estimated
Underwriter/Remarketing Agent	Raymond James	25,000
Standby Bond Purchase Provider	TBD (Yearly premium)	70,000
<b>Total Estimated Yearly Costs of Issuance</b>		<b>95,000</b>

- SBPA premium is based on a 3 year facility.
- We expect Depfa would help cover some of the costs of issuance associated with novation of the swap (Swap Advisor/incremental increase of Bond Counsel, etc.)



# Refinancing Options

B. Fixed Rate Refunding (terminate the swap)

# Option B - Fixed Rate (terminate swap)

- The City would refinance the underlying variable rate debt with fixed rate debt and simultaneously terminate the synthetic fixed rate swap.
- The following are considerations comparative to Option A:

	Option A – Replace Depla	Option B – Fixed Rate
Swap Termination Cost	N/A	Estimated at \$3.5 million
Costs of Issuance Estimates	Yes; Estimated to be approximately \$163,000	Yes; Estimated to be approximately \$266,500
Ongoing Ancillary Expenses (per year)	Yes; Estimated to be approximately \$95,000	N/A
Timing	Estimated at 8 weeks	Estimated at 6 weeks
Swap Advisor	Needed to novate the swap to alternate provider and included in the Costs of Issuance Estimates	Needed to terminate swap agreement and included in Costs of Issuance Estimates
Approval – Office of State and Local Finance	Yes; Associated with the swap novation	Yes; Associated with a refunding
Ratings	Yes, Assumes Moody's Short-Term rating is needed based on SPBA provider	Yes, Moody's and S&P ratings of City
Amortization	Keep as is (2025-2037)	Adjust per City's preference

# Option B - Estimated Fixed Rate Debt Service

Option B (Fixed Rate) Scenarios

Bond Year	Option A - Replace Depts	Option B - Base (2025- 2037)	Option B - Scen 1 (2015- 2034)	Option B - Scen 2 (2015- 2031)	Option B - Scen 3 (LVDS 2015-2037)
6/1/2015	813,000	755,250	734,325	860,838	1,121,638
6/1/2016	813,000	1,007,000	1,154,100	1,406,250	1,500,350
6/1/2017	813,000	1,007,000	1,150,600	1,406,750	1,503,750
6/1/2018	813,000	1,007,000	1,150,350	1,402,200	1,500,900
6/1/2019	813,000	1,007,000	1,154,950	1,402,350	1,502,600
6/1/2020	813,000	1,007,000	1,154,250	1,407,050	1,503,700
6/1/2021	813,000	1,007,000	1,151,450	1,405,850	1,502,700
6/1/2022	813,000	1,007,000	1,153,450	1,403,850	1,500,700
6/1/2023	813,000	1,007,000	1,155,050	1,406,050	1,502,700
6/1/2024	813,000	1,007,000	1,151,250	1,402,250	1,503,500
6/1/2025	1,982,419	2,142,000	2,340,000	2,591,500	1,500,500
6/1/2026	1,984,418	2,145,250	2,343,750	2,594,750	1,500,750
6/1/2027	2,009,265	2,145,500	2,373,750	2,623,250	1,504,000
6/1/2028	2,006,183	2,142,750	2,373,500	2,625,500	1,500,000
6/1/2029	2,001,068	2,147,000	2,369,250	2,622,500	1,504,000
6/1/2030	1,993,920	2,142,750	2,366,000	2,619,250	1,500,500
6/1/2031	2,009,621	2,145,250	2,383,500	2,635,500	1,504,750
6/1/2032	1,997,393	2,144,000	2,375,500	-	1,501,250
6/1/2033	2,008,013	2,144,000	2,393,000	-	1,500,250
6/1/2034	2,015,584	2,145,000	2,404,500	-	1,501,500
6/1/2035	2,020,106	2,141,750	-	-	1,504,750
6/1/2036	2,021,580	2,144,250	-	-	1,504,750
6/1/2037	2,020,005	2,142,000	-	-	1,501,500
	<b>34,199,573</b>	<b>37,689,750</b>	<b>34,832,525</b>	<b>31,815,688</b>	<b>34,171,038</b>
	<b>Difference to Option A</b>	<b>3,490,178</b>	<b>632,953</b>	<b>(2,383,885)</b>	<b>(28,535)</b>

- 1) The Amortization and structure of the fixed rate bonds can be modified. Modifications can be the term (final maturity) and principal amortization.
- 2) Option A assumes swap rate of 3.59% + Ancillary fees.
- 3) Assumes Costs of Issuance and UD to be paid out of pocket.
- 4) Includes the termination as a bond expense at \$3.5 million.
- 5) Gross Debt Service Comparison – does not include present value calculation

# Option B – Fixed Rate Costs of Issuance/UD

Option A - Replace Depfa with alternate provider (Novate Swap)		
Role	Provider	Estimated
Underwriter/Remarketing Agent	Raymond James	n/a
Municipal Advisor	PFM	45,000
Bond Counsel	BBS	50,000
Swap Advisor	TBD	20,000
Ratings	Moody's - Short-Term	10,500
Trustee	Regions	n/a
Paying Agent	n/a	n/a
SBPA Counsel	TBD	37,500
<b>Total Estimated Costs of Issuance</b>		<b>163,000</b>

Option B - Fixed Rate (Terminate Swap)		
Role	Provider	Estimated
Underwriter/Remarketing Agent	Underwriter- TBD	140,000
Municipal Advisor	PFM	45,000
Bond Counsel	BBS	30,000
Swap Advisor	TBD	10,000
Ratings	SP/Moody's	41,000
Trustee	n/a	n/a
Paying Agent	TBD	500
SBPA Counsel	n/a	n/a
<b>Total Estimated Costs of Issuance</b>		<b>266,500</b>