



LUZERNE COUNTY
COUNTY MANAGER
C. DAVID PEDRI, ESQUIRE

COUNTY of LUZERNE
P E N N S Y L V A N I A
E S T A B L I S H E D 1 7 8 6

DATE: September 10, 2019
TO: Luzerne County Council Members
FROM: David Pedri, County Manager
RE: Key Features of Potential New Borrowing

After consultation with the County's financial advisors, Public Financial Management, please see the following:

- 1) Received proposals from 4 banks + estimated bond rates.
- 2) Estimated uses of funds for the potential transaction:
 - a) Approximately \$20,700,000 finance upgrades and improvements to the 911 system which will not be supported past December 2019
 - b) Approximately \$1,800,000 borrowed for voting machines, remaining amount financed through County cash or grants
 - c) 11 year borrowing (11/2019-11/2030)
 - d) Refund approximately \$12,045,000, or all of 2008D, 2008E, 2009 Bonds, 2009 Notes & accrued interest
 - Current rates range from 6.75%-8.00%
 - Potential Savings of over \$2 Million in refinancing
 - Final maturity on debt to be refunded is 11/1/2027- REFINANCING DOES NOT EXTEND TERM (see below terms)
 - All 4 series are at or past the call date
 - e) Pay costs of issuance (approximately \$150,000)

3) Overall terms & conditions from Bank A

- a) Rate: 2.174% (locked in)
- b) Callable: Anytime, no penalty
- c) Draw down: Fully drawn at settlement
- d) Bank Fee: \$4,000 – one time
- e) May partner with local bank
- f) No pre-payment penalty

4) Overall terms and conditions from Bank B

- a) Rate: indicative 2.05% (not locked in until final reading of ordinance)
 - Rate can fall to 1.75% or rise up to 2.55% depending on changes to County's underlying S&P credit rating during life of loan
- b) Callable: Make whole call (County can refund or payoff debt but may owe penalty to do so)
- c) Draw down: Fully drawn at settlement
- d) Contains yield maintenance language – if something in the legal environment changes (tax law, etc) that changes the profitability of the loan to the bank, they may increase the rate to make the bank whole
- e) Bank Fee: \$10,000 – one time
- f) Contains pre-payment penalty

5. Bond Issuance

- 2.4508 Interest Rate

High Level Timeline

September 10	Initial Discussion with Council
September 24	Introduction of Ordinance & First Reading PFM Presentation to Council on potential borrowing & current debt overview
October 7	Council Adopts Ordinance
November 26	Settlement (refinanced bonds are gone + County receives construction fund to invest)