

# City Council Agenda Memo

**From:** Jason Merkley / Melissa Wagner

**Council Meeting:** April 27, 2021

**Subject:** Action on Resolution 21-028 Authorizing the Modification of the Interest Rate on the Certificates of Participation (Brookings Health System Project), Series 2013 & Certificate of Participation (Brookings Health System Project), Series 2015B

**Person(s) Presenting:** Jason Merkley / Melissa Wagner

## **Summary:**

Brookings Health System (BHS) is requesting the City of Brookings to adopt a refinancing resolution which will result in a modification of the interest rates and payment schedule of the Series 2013 & 2015B Bonds. This modification will reduce debt service costs to Brookings Health System and save approximately \$2.2M in interest expense over the next 15 years.

## **Background:**

In late 2020, BHS and Tobin Morris (Colliers Securities) examined the global debt service of BHS and then proposed to First Bank and Trust (FBT) and Dacotah Bank to do a modification of the current debt. Given the current favorable interest rates and the flexibility provided by FB&T / Dacotah Bank, terms and structure were agreed upon that resulted in the savings.

## **Item Details:**

The new rate and structure is estimated to deliver \$2.2 Million in interest cost savings. This savings is a direct result of lower interest rates and a shorter amortization. FB&T and Dacotah are also providing flexible terms with regards to no prepayment penalty, should BHS want to prepay any debt. The interest rates on the two outstanding debt pieces will be fixed at 2.62% and 2.72% respectively to their amortizations.

## **Legal Consideration:**

None. This resolution will authorize the City to proceed with the necessary steps to refinance the bonds and to execute closing.

## **Strategic Plan Consideration:**

Fiscal Responsibility – Reduce interest expense

## **Financial Consideration:**

The City's interest cost will be reduced by an estimated \$2.2 Million in the next 8 years which improves the City's cash flow and capital structure. The estimated Net Present Value of this savings is \$1.075 Million.

**Options and Recommendation:**

The City Council has the following options:

1. Approve as presented
2. Amend
3. Deny
4. Move the item to a study session
5. Do nothing

Staff recommends approval of the resolution as presented.

**Supporting Documentation:**

Resolution