



# TOWN OF FAIRFAX

## STAFF REPORT

### March 2, 2016

**TO:** Mayor and Town Council

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

**SUBJECT:** Discussion/consideration of financing Town infrastructure through refinancing of bonds

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#### **RECOMMENDATION**

Direct staff to pursue the financing of Town infrastructure through the refinancing of bonds and to develop a financing plan for improvements within the Town's FY16-17 budget approval process.

#### **DISCUSSION**

In October 2015, the Council expressed interest in obtaining financing for infrastructure. Typically, the Town has taken a "pay as it goes" strategy for infrastructure. In other words, the Town budgets for improvements based on grants obtained or annual funding received (e.g., Measure A transportation funds).

At the October meeting, staff reported on two financing programs available to the Town for capital projects: US Department of Agriculture Rural Development loans and California Infrastructure Bank (I-Bank) loans. We also indicated we would research the feasibility of refinancing existing bonds.

The Town issued tax-exempt General Obligation bonds ("GO Bonds") between 2000 and 2006 in series to provide funding for infrastructure (streets) through Measure K. Several of the issues have been refinanced over subsequent years with a savings to the bond payers by way of lower interest rates in addition to providing funds for additional street improvements.

Staff has had preliminary discussions with the Bank of Marin and with our Municipal Bonds Advisor, Mark Pressman, to explore refinancing the 2006 GO bond issue. It may be possible at current interest rates to refinance the bonds over the remaining period and pull out approximately \$86,000 for improvements at no additional cost to the public. We are also exploring the possibility of a private placement (i.e., non-public offering of bonds) with the Bank of Marin. Under this option, the Town may be able to save upwards of \$20,000 in issuance costs (e.g., less legal costs) which would increase the total available funding to \$106,000. It should be noted that the available funding is net of bond issuance costs which are significant (approx. range \$75,000-\$95,000).

On the agenda this evening, the Council will also discuss its mid-year budget review report. The mid-year report indicates the Town's general fund reserves are anticipated to be \$359,000 higher than anticipated due to one-time revenues and expenditure savings.

Given the potential to refinance the bonds, available surplus general fund reserve, and contribution from PG&E for road improvements, staff recommends the Town pursue the refinancing of bonds and not loan financing at this time. PG&E contributed \$52,000 towards the repaving of Mountain View and Tamalpais roads. At the October Council meeting, staff identified two likely street improvement projects: Canyon Road retaining wall and the reconstruction of Tamalpais (from Mountain View Road to Scenic Road) and Mountain View Roads (from Manzanita Road to Tamalpais Road). The estimated total cost of those two projects is approximately \$350,000.

The preferred approach would be to discuss the overall financing plan within the context of the FY16-17 budget approval process which includes capital projects. It should be noted that bond proceeds would not be available until August 2016 and the Measure K committee would be required to convene to make recommendations to the Council. Most likely the financing plan which would consist of approximately \$100,000 in bond proceeds, \$52,000 in PG&E funds, and \$200,000 in a combination of general fund reserves, capital project reserves, and future Measure A transportation funding.

The bond refinancing process will require Council approval at various points in the process (e.g., agreements). However, in order make the funding available in August, staff would need to start the process now.

**FISCAL IMPACT**

N/A