



Town of Lake Clarke Shores

Palm Beach County's Premier Lakeside Community Since 1957

MEMORANDUM

To: Mayor and Town Council
From: Daniel P. Clark, P.E., Town Manager
Date: May 2, 2022
Subject: Comparison of Municipal Financing Methods

The Town uses Larson Consulting Services to help us assess and decide the best way to finance our capital improvements. Mr. Larson has been helping us for the last four years including securing three bank loans for capital improvement implementation.

There have been comments by the public suggesting muni bonds may be a less expensive way to finance the required septic to sewer improvements. Below is a summary of options including muni bonds.

The Town has three financing methods available: bank loans, muni bonds, and State Revolving Fund (SRF) low interest loans. Bank loans or placements are typically done for amounts under \$5,000,000 and have 7 to 15 year terms. Bonds are typically issued for larger projects above \$10,000,000 and can have 30-year terms. The SRF program offer loans with 20-year terms. SRF is currently a very attractive option given the low interest rate supported by federal funds to the state.

The table below illustrates why we are pursuing SRF financing. For the purpose of this demonstration, we are comparing the different options to borrow \$4,000,000 and repay that amount plus interest and fees over a 10 to 30 year period.

Method	SRF Loan	Bank Loan	Muni Bonds
Cost of Issuance (CI)	\$0	\$55,000	\$150,000
Processing Time (days)	120	45	90
Interest Rate	0.75%	2.25%	3.45% Average
Annual Debt Service	\$215,437	\$433,329	\$232,735
Term (years)	20	10	30
Total Cost (P+I+CI)	\$4,308,745	\$4,388,290	\$7,132,050
Monthly Cost w Fees	\$137/month	\$279/month	\$151/month

Any borrowing option will require a lien on the assessments that will be going on the tax roll, and probably a back-up Covenant to Budget and Appropriate pledge from the Town. The assessments are paid by the property owners on an "all-or-none" basis equal to any Town, County or other taxes and assessments. They are seen by the markets as a secure revenue pledge. That is why we are including Palm Beach County assessor and collector fees on each financing method.