



## COLUMBIA COUNTY BOARD OF COUNTY COMMISSIONERS AGENDA ITEM REQUEST FORM

The Board of County Commissioners meets the 1st and 3rd Thursday of each month at 5:30 p.m. in the Columbia County School Board Administrative Complex Auditorium, 372 West Duval Street, Lake City, Florida 32055. All agenda items are due in the Board's office one week prior to the meeting date.

Today's Date: 1/11/2019 Meeting Date: 1/17/2019

Name: Ben Scott Department: BCC Administration

Division Manager's Signature:

A handwritten signature in blue ink that reads "Ben Scott".

**1. Nature and purpose of agenda item:**

Discuss financing options of the new jail.

**2. Recommended Motion/Action:**

Requesting Board direction.

**3. Fiscal impact on current budget.**

This item has no effect on the current budget.

District No. 1 - Ronald Williams  
District No. 2 - Rocky Ford  
District No. 3 - Bucky Nash  
District No. 4 - Toby Witt  
District No. 5 - Tim Murphy



## MEMORANDUM

TO: Commissioners  
FR: Ben Scott, County Manager *Ben Scott*  
DATE: 1/10/19  
SUBJECT: Jail Financing Options

As you are aware, the latest total cost estimate for the new jail is \$31,345,176. Breakdown is as follows:

Construction	\$	27,849,240
Escalation Costs	\$	1,044,347
Architect and Engineering Fees	\$	2,451,589

Current funding available is \$11,435,000. Breakdown is as follows:

Transfer from Capital Projects	\$	975,000
Transfer from General Fund	\$	2,200,000
Loan (originally for Admin Building)	\$	8,000,000
Accrued Interest	\$	260,000

Leaving a balance to fund of \$19,910,176.

Options for debt service are as follows:

	Option 1	Option 2	Option 3	Option 4
	15 Year Bank Loan	20 Year Bank Loan	15 Year Bank Loan	20 Year Bank Loan
Loan Amount	\$17,070,000	\$17,070,000	\$19,070,000	\$19,070,000
Estimated Loan Expenses	(70,000)	(70,000)	(70,000)	(70,000)
Net Proceeds	\$17,000,000	\$17,000,000	\$19,000,000	\$19,000,000
Estimated Interest Rates	3.50%	3.75%	3.50%	3.75%
Estimated Annual Payments	\$1,472,450	\$1,220,817	\$1,644,969	\$1,363,854
\$8,000,000 Annual Payment	637,000	637,000	637,000	637,000
Estimated Total Payments	\$2,109,450	\$1,857,817	\$2,281,969	\$2,000,854

BOARD MEETS FIRST AND THIRD THURSDAY AT 5:30 P.M.

Current revenues budgeted for debt service are \$1,010,000 of Half-Cent Sales Tax from the following sources:

Economic Development	\$	455,000
General Fund	\$	335,000
Transportation Trust	\$	80,000
2019 Estimated Revenue Increase	\$	140,000

Depending on the financing option chosen, additional funding of \$847,817 to \$1,271,969 would be required for completion of the new jail.

Based on the Property Appraisers current estimate of values, additional ad-valorem revenues will be available from the Target and FPL Solar Field as follows:

	2019 Taxes	Sheriff 39%	Total Available
Target	\$ 364,806	\$ (142,274)	\$ 222,532
FPL Solar Field	\$ 721,350	\$ (281,327)	\$ 440,023
<b>Total</b>	<b><u>\$ 1,086,156</u></b>	<b><u>\$ (423,601)</u></b>	<b><u>\$ 662,555</u></b>

The pledged revenue used to obtain the additional financing required would be Half-Cent Sales Tax. The new revenues generated from Target and FPL would replace Half-Cent Sales Tax in various funds. In order to obtain additional loans in the future for other projects, such as an economic development project, the County would need to continue to pledge Half-Cent Sales Tax revenues. Based on the fiscal year 2018 revenues received, Columbia County would have and additional debt capacity of \$7.15 million to \$14.43 million depending on the financing option chosen.

I have attached for your review a financing options spreadsheet and explanation letter prepared by Gollohan Financial Services. Mr. Gollohan suggests the County try to close on the loan by May due to the expected increase in interest rates. The loan could be structured with interest only payments (\$249,000 to \$298,000) for the current budget year. The interest payment would need to come from General Fund Reserves.

I am requesting direction on how the Board wishes to proceed.



Gollahon Financial Services, Inc.  
4125 Bayshore Blvd. N.E.  
St. Petersburg, FL 33703

January 10, 2019

Mr. Ben Scott, County Manager  
Columbia County, Florida  
135 N.E. Hernando Avenue, Suite 203  
Lake City, FL 32055

Dear Mr. Scott:

Please find attached a summary of four financing options to fund the County's pending jail project. These are the result of our recent phone calls and emails where we narrowed the options to 15 and 20-year bank loans. These options would allow the County to lock in the interest rate and the balance needed to complete the jail. Interest rates have been very volatile in the last few months and are currently off their recent highs reached last fall. However, many economists and many in the financial services industry, expect interest rates to rise further in 2019.

Options 1 and 2 would net \$17 million for the jail project and have estimated annual payments ranging from \$1.47 million for a 15-year loan to \$1.22 million for a 20-year loan. Options 3 and 4 would net \$19 million and have estimated annual payments ranging from \$1.64 million for a 15-year loan to \$1.36 million for a 20-year loan.

These options reflect level debt service with semi-annual interest and principal payments starting on an assumed May 1, 2019 closing date. If the County wishes to minimize the impact of a new loan on this year's budget, the loan could be structured and bid to be interest only during the first 5 months. The FY 2019 payment would range from approximately \$249,000 for option 1 to \$298,000 for option 4. The annual payments thereafter would be slightly higher than shown (approximately 2-3%) since principal payments will be amortized over 14.5-years and 19.5 years.

The 2019 loan would be secured by the pledge of the County's Half Cent Sales Tax collections from the State and it would be on parity with the County's 2016 loan which matures on June 1, 2027 and the 2017 loan which matures on December 1, 2032. Since the prior loans mature approximately 8 and 13½-years after the 2019 loan's assumed closing date, the County could secure a 20-year loan or even a 17½-year loan and pay it off early once the prior loans mature. If the County needs the freed-up debt service for future projects, another loan might be avoided.

I look forward to discussing these options further with you and the Board at your convenience.

Sincerely,  
**Gollahon Financial Services, Inc.**

A handwritten signature in black ink, reading "Jim Gollahon", is positioned below the company name.

Jim Gollahon, Financial Advisor  
[jim@gollahonfinancial.com](mailto:jim@gollahonfinancial.com)

## COLUMBIA COUNTY, FLORIDA

Financing Options - January 10, 2019

	Option 1 15 Year Bank Loan	Option 2 20 Year Bank Loan	Option 3 15 Year Bank Loan	Option 4 20 Year Bank Loan
Loan Amount	\$ 17,070,000	\$ 17,070,000	\$ 19,070,000	\$ 19,070,000
Estimated Loan Expenses	(70,000)	(70,000)	(70,000)	(70,000)
Net Proceeds	\$ 17,000,000	\$ 17,000,000	\$ 19,000,000	\$ 19,000,000
Estimated Interest Rates	3.50%	3.75%	3.50%	3.75%
Estimated True Interest Cost (1)	3.56%	3.80%	3.55%	3.79%
Estimated Annual Payments	1,472,450	1,220,817	1,644,969	1,363,854
Estimated Total Payments	22,068,748	24,416,333	24,674,533	27,277,063
Estimated Closing Dates	May 1, 2019	May 1, 2019	May 1, 2019	May 1, 2019
Estimated Debt Service Coverage (2)	1.98 times	2.20 times	1.85 times	2.08 times
Required Minimum Coverage (3)	1.25 times	1.25 times	1.25 times	1.25 times
Estimated Additional Debt Capacity (4)	\$9.15 million	\$14.43 million	\$7.15 million	\$12.55 million

**Notes:**

- 1) Includes the loan expenses (Bond Counsel, Financial Advisor and Bank Counsel).
- 2) Coverage estimates are based on unaudited FY 2018 half cent sale tax revenues, debt service on the 2016 and 2017 loans and options above.
- 3) Additional bonds test (to borrow additional debt) stipulated in the 2016 and 2017 loan documents. Desired coverage is 1.5 times or greater.
- 4) Estimated Additional Debt Capacity of Half Cent Sales Tax, based on half cent FY 2018 revenues and 1.50 times debt service coverage.