NIFA Refinancing Analysis

Options to Save $75M in FY2020

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Agenda

I. OVERVIEW

II. OPTIONS

III. COMPARISON

IV. CONCLUSION

I. Overview

Background

- PFM was asked to review and analyze a refinancing of NIFA debt tied to the Authority's 2008B bonds, which have a 2020 maturity of $75,325,000 callable at any time
  - The bonds are variable rate demand obligations with interest rates presently reset weekly
- The refinancing is part of a plan to eliminate the projected $385 million FY2020 budget gap brought on by Covid-19
- Within recent months other municipalities have executed similar deferrals to mitigate the effects of Covid-19
- The current low interest rate environment would allow for a cost-effective financing while providing immediate debt service relief
- NIFA provides the greatest structural flexibility as it is not constrained by NYS Local Finance Law

Goals

- Generate $75M in savings for FY2020 by refinancing the 2008B sinking fund payment
- Ensure that future NIFA restructurings, targeting $210M of savings in FY2021 and $150M of savings in FY2022, are not hindered
- Avoid issuance of NIFA debt in 2020

II. Options

Option 1: Municipal Liquidity Facility

- Established by the Board of Governors of the Federal Reserve to enhance the liquidity of the primary short-term municipal securities market
- Eligible Notes must be duly authorized and meet the same statutory requirements of publicly issued notes: the County is still subject to the Local Finance Law with respect to repayment requirements
- Use of MLF does not meet the goal of reducing the County's FY2020 expense by $75M
- Specifically structured to not displace a functioning municipal market: MLF interest rates carry a substantial premium to current market rates

MLF Rates as of August 3, 2020				
LOAN TERM	6M	1Y	2Y	3Y
AAA/Aaa - Applicable to NIFA	*1.56*	*1.53*	*1.49*	*1.48*
AA+/Aa1	1.76	1.73	1.69	1.68
AA/Aa2	1.81	1.78	1.74	1.73
AA-/Aa3	1.96	1.93	1.89	1.88
A+/A1	2.46	2.43	2.39	2.38
A/A2 - Applicable to County	*2.56*	*2.53*	*2.49*	*2.48*
A-/A3	2.71	2.68	2.64	2.63
BBB+/Baa1	3.31	3.28	3.24	3.23
BBB/Baa2	3.46	3.43	3.39	3.38
BBB-/Baa3	3.86	3.83	3.79	3.78
Below Investment Grade	5.96	5.93	5.89	5.88

The MLF is not a viable option as debt issued through the MLF must be redeemed using FY2020 revenues

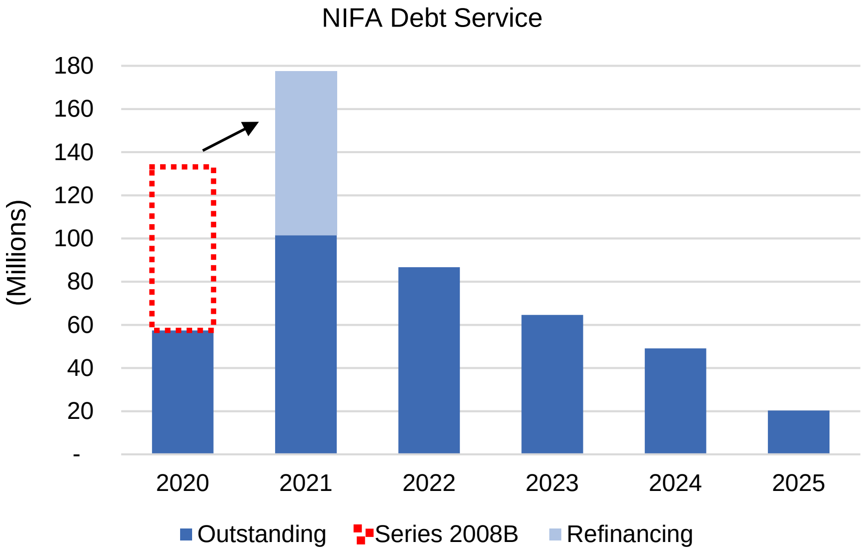
Option 2: Short-Dated Refinancing

Plan

- Refund the $75M sinking fund payment with a taxable fixed-rate bond maturing in FY2021

Steps

- Issue a fixed-rate taxable refunding bond
- Bond matures on November 15, 2021



Results

- The $75M payment is delayed to FY2021
- The bond can be currently refunded on a tax-exempt basis within 90 days of its maturity date and could ultimately be restructured
- Requires transaction with associated issuance costs
- Requires new issuance for NIFA in 2020

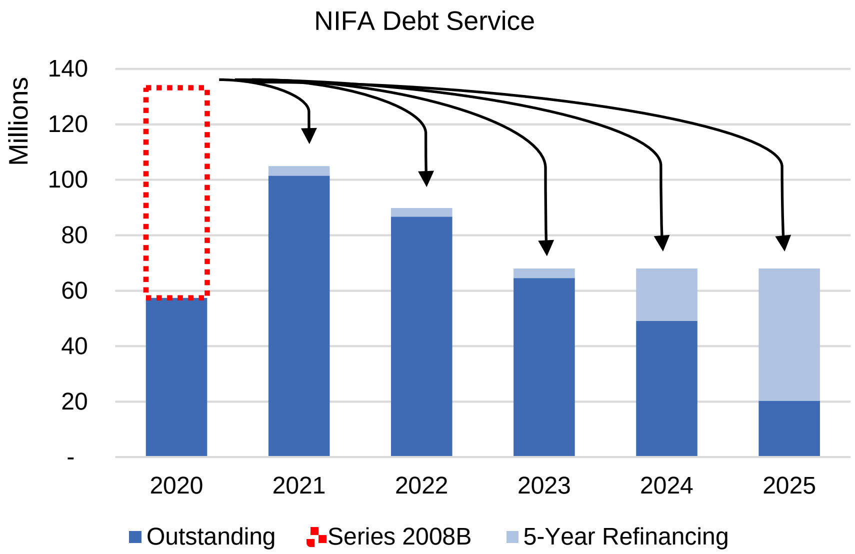
Option 3: Five-Year Refinancing

Plan

- Refund the $75M sinking fund payment with taxable fixed-rate bonds maturing on or before November 2025

Steps

- Issue fixed-rate taxable refunding bonds
- Bonds mature on November 15, 2023 through November 15, 2025



Results

- The $75M payment is delayed to FY2023-25
- The bonds are structured to wrap around existing NIFA debt to achieve more level overall debt service
- Requires transaction with associated issuance costs
- Requires new issuance for NIFA in 2020

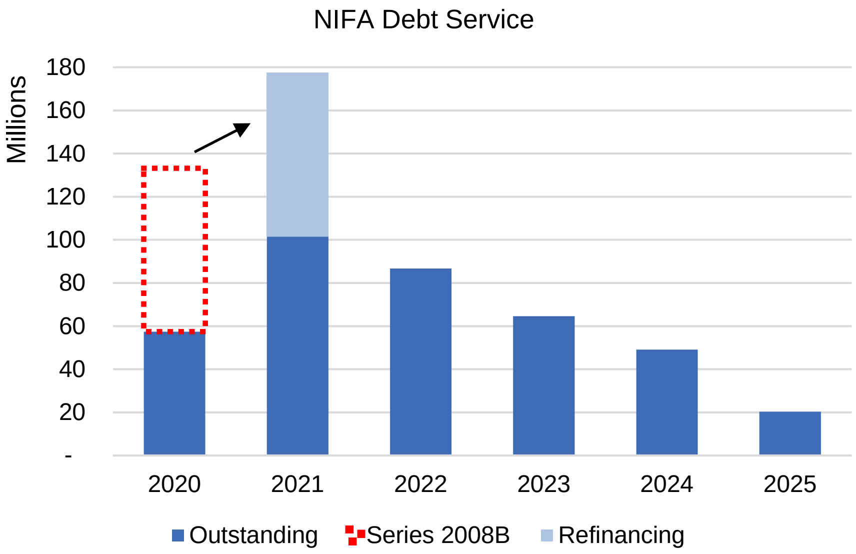
Option 4: 2008B Tender and Conversion

Plan

- Modify the 2008B Bond to eliminate the required 2020 sinking fund payment

Steps

- Get approval from the liquidity provider (Sumitomo) and Remarketer (Citigroup) to eliminate the sinking fund requirement
- If necessary, liquidity provider and/or remarketer can be replaced
- Obtain sign-off from NIFA's bond counsel (Norton Rose)



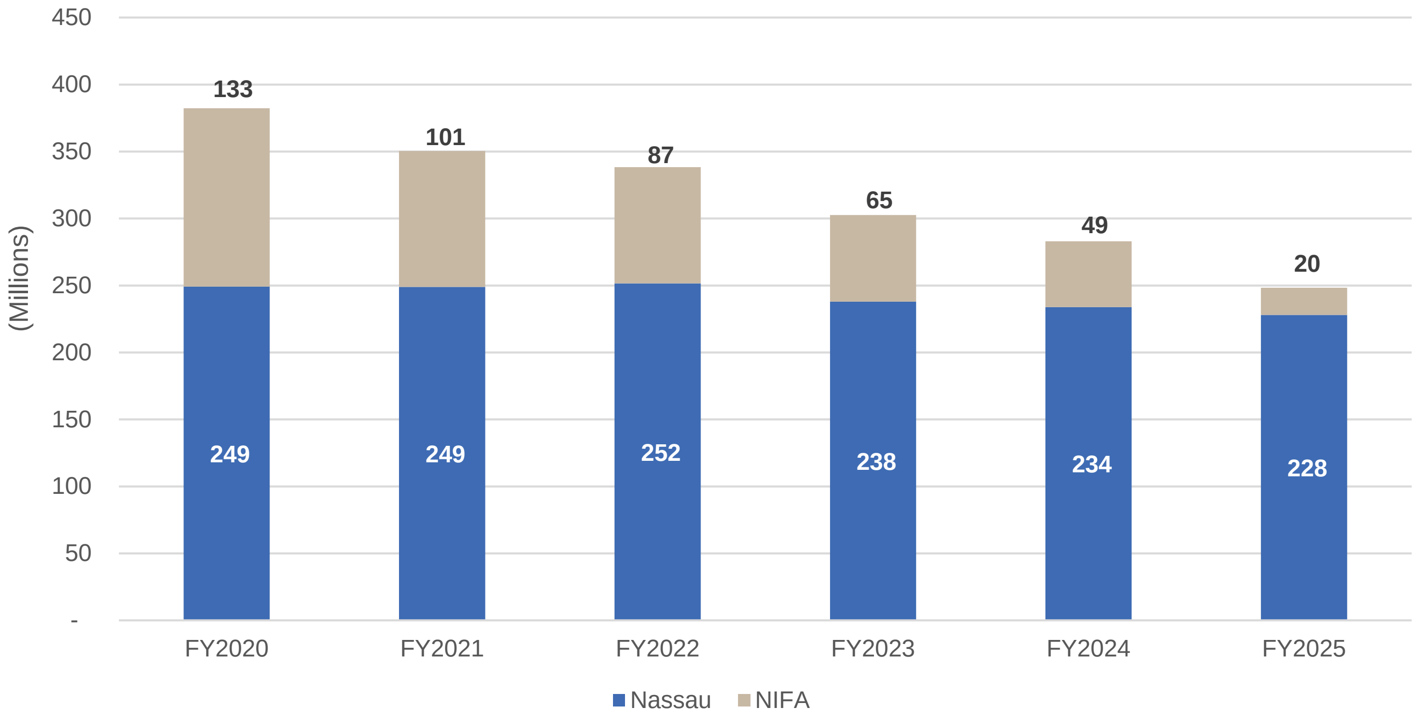
Results

- The $75M payment is delayed to FY2021
- Bond remains callable at any time
- Restructure again for 2021 gap
- Not a reissuance so transaction costs will be limited to counsel fees
- Preserves market capacity for future NIFA new issues

III. Comparison

NIFA Debt as a Portion of County Debt Outstanding

- NIFA Debt accounts for 35% of County debt service in FY2020 and decreases to 8% by FY2025



NIFA Projected Debt Service Schedule[1]

- All financing options provide lower debt service on a PV basis than NIFA's existing debt service
- Option 4, the Tender and Conversion scenario, offers the lowest PV debt service

FY	Current	1-Year Refinancing	5-Year Refinancing	2008B Tender and Conversion
2020	133,195,788	57,431,915	57,431,915	57,920,788
2021	101,499,579	177,663,412	102,250,364	177,118,347
2022	86,745,427	86,745,427	87,414,444	86,745,427
2023	64,586,813	64,586,813	70,525,829	64,586,813
2024	49,111,387	49,111,387	70,526,675	49,111,387
2025	20,295,682	20,295,682	70,523,496	20,295,682
Total[2]	**455,434,676**	**455,834,636**	**458,672,724**	**455,778,443**
PV Total[3]	*447,783,670*	*447,462,403*	*447,703,498*	*447,361,278*

[1] *1 and 5-year refinancings use PFM's taxable NIFA scale; Tender and Conversion assumes NIFA's current variable rate plus a 25bps cushion on the $75M portion of Series 2008B*

[2] *1 and 5-year refinancings assume COI and UWD of $3/bond; tender and conversion scenario assumes cost of $50,000*

[3] *Discounted at 5-year TIC of 0.96%*

Advantages and Considerations

	Advantages	Considerations
1-Year Refinancing	• Eliminates $75 million principal payment due in November 15, 2020	• Increase in debt service for FY 2021 • NPV savings are approximately net neutral (-0.24%) • Higher COI than Option 4
5-Year Refinancing	• Eliminates $75 million principal payment due in November 15, 2020 • Reduces impact of balloon payment over 3 years	• Furthest extension of debt service • Increase in debt service 2021-2025 • NPV savings are approximately net neutral (-0.30%) • Higher COI than Option 4
2008B Tender & Conversion	• Eliminates $75 million principal payment due in November 15, 2020 • No new bonds • Minimal transaction costs • Maintenance of variable rate for continued flexibility • Remains tax-exempt • Lowest total debt service (gross and PV) from FY2020-FY2025	• All 2008B bonds must be tendered to renegotiate sinking fund structure with liquidity provider • NPV savings are approximately net neutral • Increase in debt service for FY 2021

IV. Conclusion

Conclusion

- PFM encourages the County to explore a refinancing to address the 2020 budget gap resulting from Covid-19
  - Uncertain economic outlook could create continued gaps in the out years, so further remediation of the NIFA debt should be a consideration

Options 2 & 3 provide immediate relief from the FY 2020 principal payment but do not provide the level of savings nor the future flexibility of Option 4

- Option 4 – Tender and conversion:
  - ✓ Lowest projected short-term debt service
  - ✓ Lowest projected debt service on a PV basis
  - ✓ Lowest projected COI
  - ✓ Continued flexibility for future refinancings

Based on PFM's analysis, Option 4 provides the greatest current benefit to the County by lowering short-term debt service costs and providing the most flexibility for the future