

Monmouth County Improvement Authority



Virtual Seminar
February 24, 2021



Monmouth County Board of County Commissioners

Board of County Commissioners

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MCIA Professional Team

- Financial Advisor – NW Financial Group
 - Douglas Bacher, Principal
 - Heather Litzebauer, Managing Director
- Authority Bond Counsel – Gibbons P.C.
 - John Draikiwicz, Esq.
- Senior Underwriter - Raymond James & Associates, Inc.
 - Amanda Del Bene, Managing Director
 - Stephanie Lom, Director



Introduction to the MCIA

- The Monmouth County Improvement Authority (“MCIA”) was created by the Monmouth County Board of Chosen Freeholders in 1986
- The MCIA has the power to provide local governments with flexible financing options for a variety of purposes including:
 - the acquisition of capital equipment
 - the acquisition of property
 - the construction of capital projects and improvements
 - the refunding of previously issued debt for savings
- These financing options include pooled lease purchase and governmental loan financings designed to achieve a lower cost of capital through economies of scale; lower interest rates and/or lower costs of issuance



What Makes the MCIA Unique

- MCIA Board made up of community leaders
- MCIA provides services with one part-time staff person
- County provides administrative services and financial statement services support
- County provides Aaa/AAA/AAA credit to transactions
- County authorized to buy local note to “bridge” financing timing gap
- No annual (ongoing) MCIA or County fees



What Makes the MCIA Unique, continued

- The MCIA provides a 2-tier bond structure
- The County assigns an individual county guaranty to each participating local unit
- The local units provide a general obligation credit
- The MCIA is a conduit financing entity only



Financing Powers of the MCI

- Borrow money and issue bonds, notes and other obligations
- Provide a county guaranty or local guaranty of debt
- Issue bonds through negotiated sale, competitive sale and private placement processes
- Issue fixed and variable rate securities
- Enter into leases or agreements with governmental or not-for-profit entities for the operation of their respective facilities
- Extend credit or make loans
- Fix and collect facility or project charges
- Extend credit to redevelopers for planning, acquisition, construction, equipping and furnishing of redevelopment projects
- Assign revenues or mortgage property for purposes of securing bonds, notes or other obligations
- Enter into partnerships, joint ventures or other associations



Financing Programs Offered

- I. Fixed Rate Pooled Capital Equipment Lease Financing
 - Biennial program
 - Designed to finance equipment with lease structure
 - Provided every other year for the last 29 years
- II. Fixed Rate Pooled Governmental Loan Financing
 - Annual financing
 - Provided each year for last 28 years
- III. Pooled Refunding of Outstanding Debt
 - Increased savings
 - Done as a pool with other local governments
 - Done as market and local governments dictate
 - Refunds local government debt
- IV. Stand Alone Financings – including refunding of outstanding debt



Capital Equipment Pooled Lease Program

Biennial Financing Program



Capital Equipment Pooled Lease Program

- Designed to provide a low-cost alternative to local governments when lease-purchasing capital equipment
- Offered biennially by the MCIA
- Next Pooled Capital Lease Financing is scheduled for Summer 2021
- Eligible participants
 - Municipalities
 - School Districts
 - Fire Districts
 - Local Authorities



What can be financed through a Pooled Capital Lease Financing?

- Fire Equipment
- Buses
- Computer Equipment
- Office Furniture
- Police Vehicles
- Recreation Equipment
- Trucks
- Vehicles
- Energy Equipment
- Other Equipment



Advantages to Local Participants

- 5% down payment avoided with lease financings
- Economies of Scale
 - Smaller or traditionally “non-bondable” equipment can be financed
 - Cost of issuing MCIA bonds is shared among participants
 - Costs of issuance minimized through “shared” documents and single POS/OS
- Lower interest costs
 - Tax-exempt interest rates
 - County guaranty (Aaa/AAA/AAA rating)
- Negotiated bond sale/ More Flexibility to Adjust to Market Changes
- Flexible repayment schedule
- No shared liabilities
- Continuing Disclosure may not be required depending upon level of participation
- Equipment can be swapped in & out if they have similar or greater useful life



General Structure

- MCIA issues a lease revenue bond for each local participant in an amount equal to the cost of equipment and costs of issuance
- Each participant bond is secured by a guaranty of the County of Monmouth, allowing each participant to benefit from the County's Aaa/AAA/AAA credit rating
- MCIA bond proceeds are placed into each participant's acquisition fund at a trustee bank
- The participant may draw down funds for the purchase of equipment in accordance with the procedures established under state law, the bond resolution and lease agreement
- Ownership of the equipment is held by the MCIA until the end of the lease term, at which time the equipment is sold to the participant for a nominal amount
- Terms of the lease may not extend longer than the useful life of the equipment and may not exceed beyond 5-years for a school district



General Structure continued

- Local Units Enter into General Obligation Lease for Municipalities or Subject to Appropriation Lease for School Districts
- Lease must be approved by ordinance if general obligation lease or resolution if subject to appropriation lease
- Treated as bonded debt if General Obligation Lease
- Debt service is outside the budget cap; however, police passenger or other passenger cars (not SUVs) debt is inside the cap
- Subject to Appropriation Lease financings and police passenger cars (not SUVs) financings are subject to an underlying municipal guaranty



Participants Action/ Responsibilities

- Determine needs and provide the MCIA with list of equipment and appropriate contact information
- Review and approve financial model provided by the MCIA professional team
- If applicable, adopt resolution authorizing application to the Local Finance Board if individual local government participant action is required
- May be required to attend Local Finance Board Meeting
- Adopt ordinance or resolution authorizing a lease agreement with the Authority
 - School Districts and municipalities financing police cars must get municipality (host) guaranty
- After the pricing of the bonds, execute lease agreement, closing certificates and deliver opinion of general counsel
- Insurance certificates for equipment and annual audits to be sent to MCIA and Trustee



Recent Capital Equipment Lease Program Financing Results

- **\$14,305,000 Capital Equipment Pooled Lease Revenue Bonds, Series 2019**
 - 13 Participants
 - True Interest Cost = 1.357% (entire transaction); 1.323% for 5 years
 - ***Total Interest Savings to Participants: \$110,888***
 - ***Total Budgetary Savings to Participants: \$797,980 (no 5% paydown req)***
- **\$9,570,000 Capital Equipment Pooled Lease Revenue Bonds, Series 2017**
 - 9 Participants
 - True Interest Cost = 1.614% (entire transaction); 1.410% for 5 years
 - ***Total Interest Savings to Participants: \$136,123***
 - ***Total Budgetary Savings to Participants: \$518,687 (no 5% paydown req)***
- **\$13,375,000 Capital Equipment Pooled Lease Revenue Bonds, Series 2015**
 - 18 Participants
 - True Interest Cost = 1.430% (entire transaction); 1.238% for 5 years
 - ***Total Interest Savings to Participants: \$155,590***
 - ***Total Budgetary Savings to Participants: \$691,256 (no 5% paydown req)***



Governmental Pooled Loan Program

Scheduled annually in December

Additional summer financing if there is demand



Governmental Pooled Loan Program

- Designed to permanently finance outstanding bond anticipation notes (“BANs”), unfunded capital ordinances, approved referendum (school & fire districts), and other new money capital needs (capital equipment, property, projects and all other permissible capital under local, state and authority bond laws)
- Offered annually by the MCIA
 - Scheduled to close in December of each year
 - In summer if there is demand
- Eligible participants
 - Municipalities with outstanding BANs, authorized and unfunded ordinances
 - School Districts with an approved referendum
 - Fire Districts with an approved referendum
 - Local Authorities
- May include wrapping around outstanding debt (subject to LFB approval)



What can be financed through the Fixed Rate Pooled Loan Program?

- Capital projects and equipment that have approval through referendum (school districts, fire districts) or authorized capital ordinances and/or outstanding BANs
- New Capital Ordinances; any capital project or expenditure permitted through the local, authority or school bond law, including, but not limited to:
 - Street and Road Improvements
 - Recreation Facilities
 - Equipment
 - Computers
 - Buildings/Facilities
 - Land Acquisition



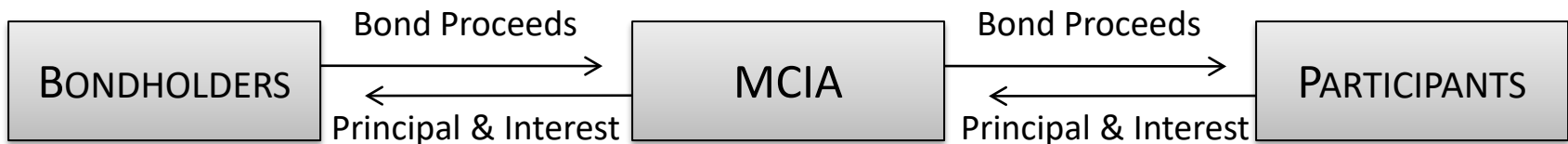
Advantages to Local Participants

- Economies of Scale
 - Smaller amounts can be financed in today's attractive bond market
 - Cost of issuing MCIA bonds is shared among participants
 - Costs of issuance minimized through "shared" documents and single POS/OS
- Lower interest costs
 - Tax-exempt interest rates
 - County guaranty (Aaa/AAA/AAA rating)
- Negotiated bond sale
 - Provides Flexibility to Adjust to Market Changes
- Non-conforming repayment schedule if approved by LFB
- No shared liabilities
- Continuing Disclosure may not be required depending upon level of participation



General Structure

- MCIA issues revenue bonds secured by the general/revenue obligation bond of each participant – 2 tier bond structure
- Bonds are additionally secured by a guaranty of the County of Monmouth
- At closing, funds are wired to each participant’s capital fund
- Each participant will receive a full accounting of savings achieved by using this Improvement Authority pooled financing technique





Participants Action/ Responsibilities

- Determine needs and provide the MCIA with list of BANs and/or capital ordinances and appropriate contact information
- Review and approve financial model provided by the MCIA professional team
- If applicable, adopt resolution authorizing application to the Local Finance Board if individual local government participant action is required
- Adopt general obligation bond ordinance and resolution authorizing a sale of bonds with the MCIA
- May be required to attend Local Finance Board Meeting
- The local governing body will approve the issuance of the local obligation by resolution either through delegation to representatives of the participant or action at a public meeting
- After the pricing of the bonds, execute purchase agreement, closing certificates and deliver opinion of bond counsel on the tax-exempt status of participant bond



Recent Pooled Loan Program Financing Results

- **\$48,655,000 Governmental Pooled Loan Revenue Bonds, Series 2020**
 - 8 Participants
 - True Interest Cost = 1.327% (20-year financing)
 - ***Total Savings to Participants: \$1,789,933***
- **\$128,975,000 Governmental Pooled Loan Revenue Bonds, Series 2019B**
 - 13 Participants
 - True Interest Cost = 2.127% (20-year financing)
 - ***Total Savings to Participants: \$4,313,505***
- **\$48,370,000 Governmental Pooled Loan Revenue Bonds, Series 2019A**
 - 3 Participants
 - True Interest Cost = 2.361% (20-year financing)
 - ***Total Savings to Participants: \$1,513,290***



Recent Pooled Loan Program Financing Results

- **\$47,265,000 Governmental Pooled Loan Revenue Bonds, Series 2018C**
 - 7 Participants
 - True Interest Cost = 2.864% (20-year financing)
 - ***Total Savings to Participants: \$1,432,648***
- **\$69,645,000 Governmental Pooled Loan Revenue Bonds, Series 2018B**
 - 3 Participants
 - True Interest Cost = 3.326% (20-year financing)
 - ***Total Savings to Participants: \$3,516,651***
- **\$21,010,000 Governmental Pooled Loan Revenue Bonds, Series 2018A**
 - 5 Participants
 - True Interest Cost = 2.756% (20-year financing)
 - ***Total Savings to Participants: \$881,326***



Refunding Outstanding Debt



Structure/Local Actions/Benefits

- Structure is identical to Pooled Loan structure
- Local actions are identical as with the Pooled Loan
 - Local units need to take the same actions as if refunding bonds on their own except at the end the bonds are sold to the MCIA
- **Savings are enhanced** through the pricing achieved with the use of the County Guaranty (Aaa/AAA/AAA) and pooling of local units if there is more than one local government unit
 - MCIA provides a comparison showing the additional savings in pricing
- Can be done as a current (tax-exempt) or advanced (taxable) refunding



Stand Alone Financings



Stand Alone Financings

- Loan or Lease financings available to municipalities, school districts, fire districts and local authorities on a stand-alone basis
- Structure is similar to pooled financings, participants limited to single issue
- Terms of lease/loan can be structured to meet the needs of the participant as permitted by law
- Advantages are identical to pooled financings with the exception of economies of scale
- New Money or Refunding of Outstanding Debt
- Examples
 - Howell Board of Education (Loan)
 - Middletown Township/ First Aid Squad & School District (Lease)
 - Brookdale Community College (Leases, refundings)
 - Asbury Park Sewer Treatment Plant Project (Lease)
 - Shrewsbury Hose Company #1/ Shrewsbury Borough (Loan)



Market Update

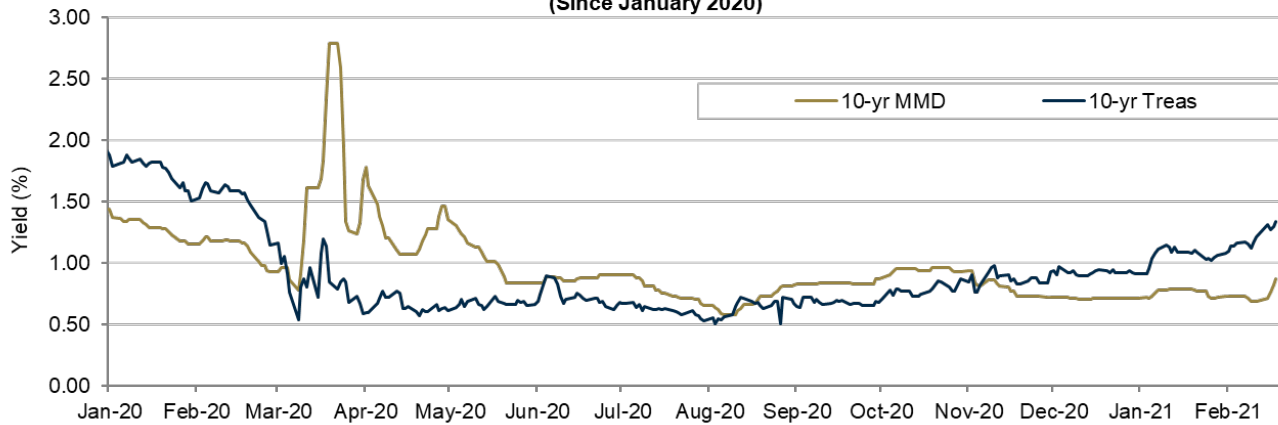


Treasury & MMD Rates

30-Year AAA MMD vs. 30-Year Treasury
(Since January 2020)



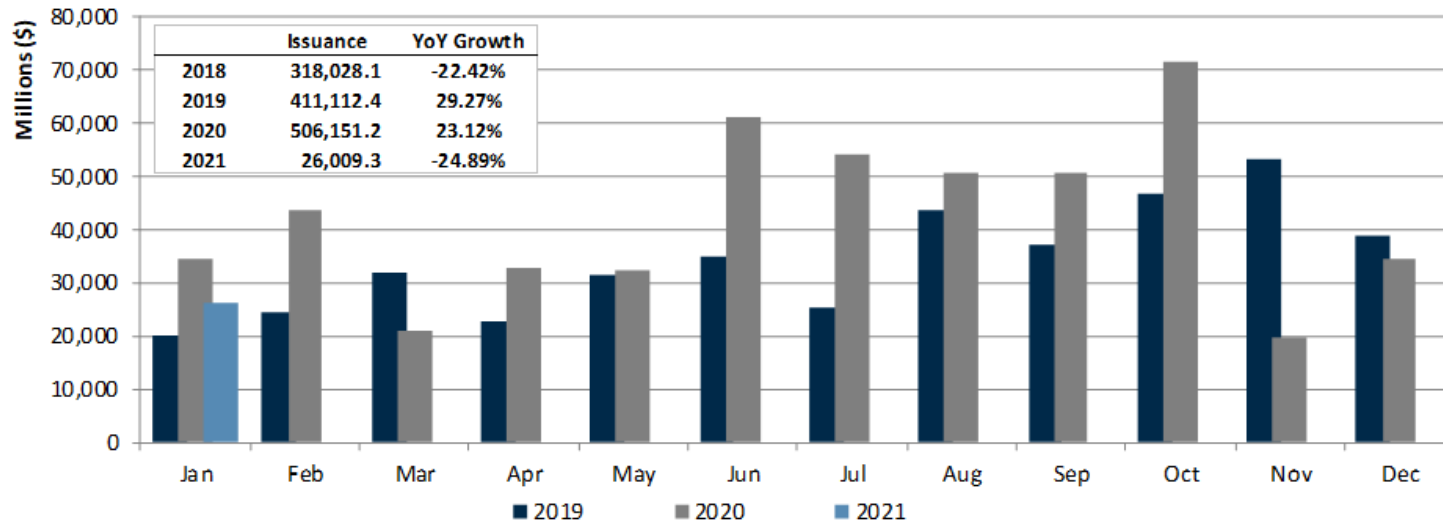
10-Year AAA MMD vs. 10-Year Treasury
(Since January 2020)





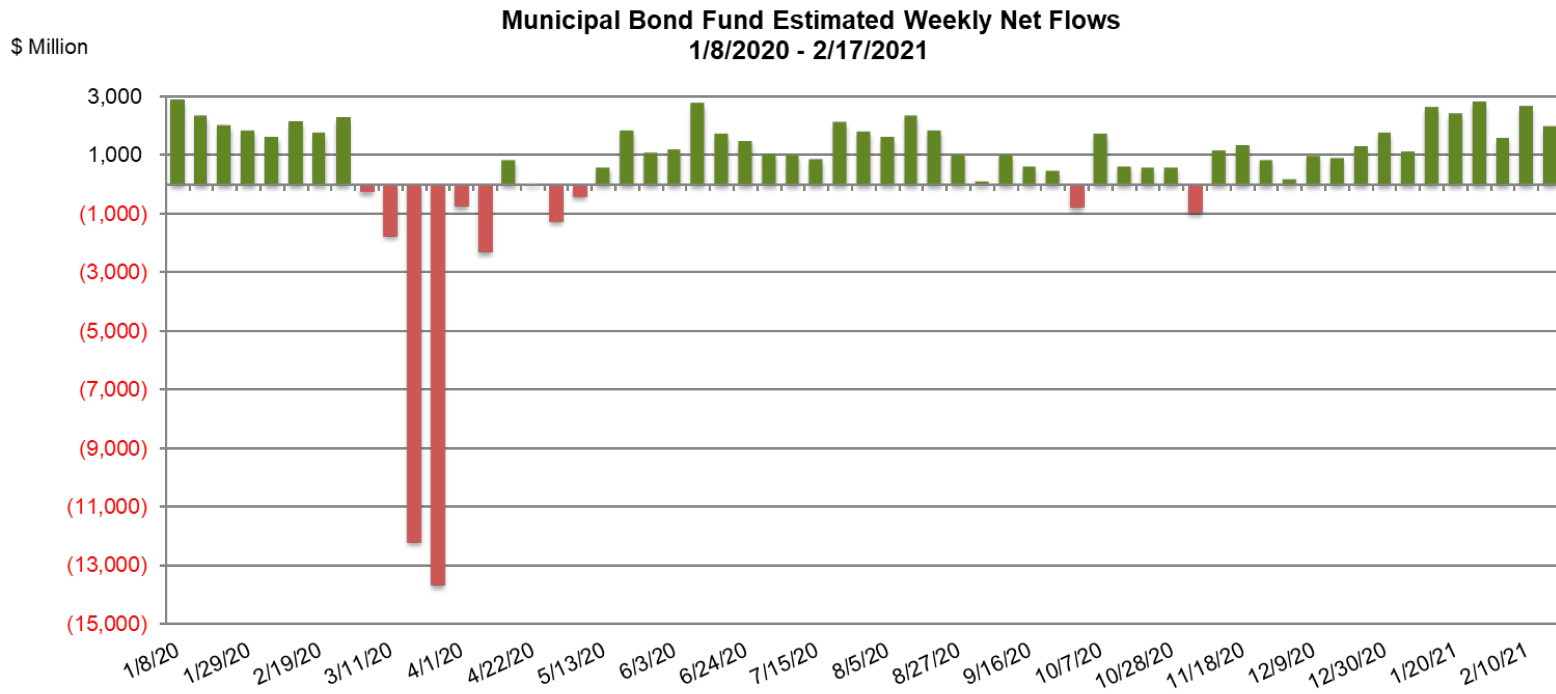
Municipal Issuance Trends

U.S. Municipal Long-Term Issuance Trends





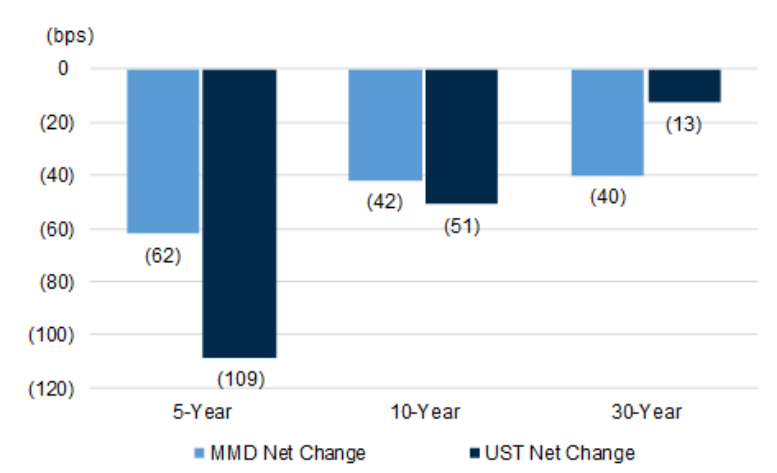
Municipal Fund Flows



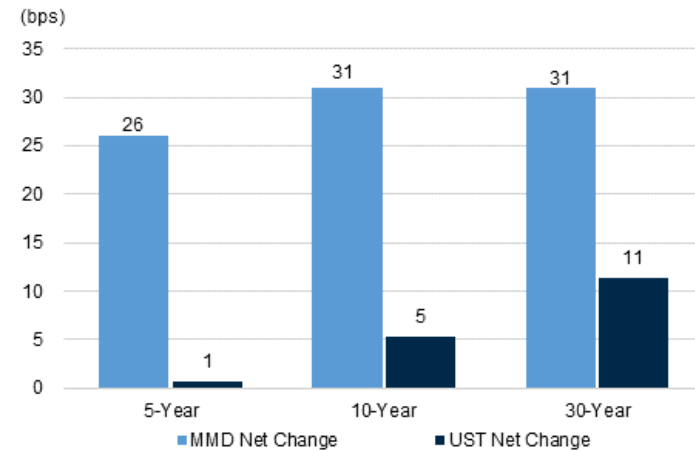


Recent Rate Movements

Rate Movement Since 1/2/2020

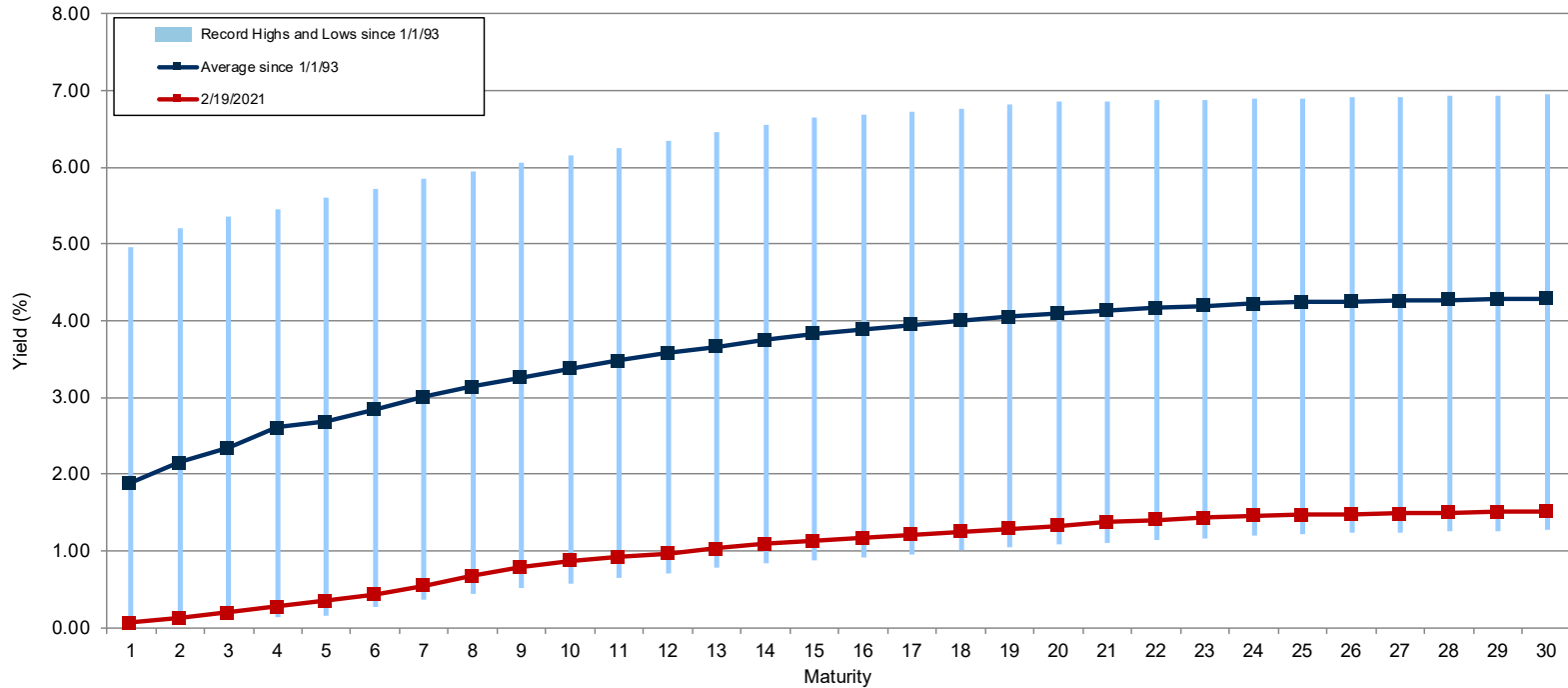


Rate Movement Since 2/16/2021





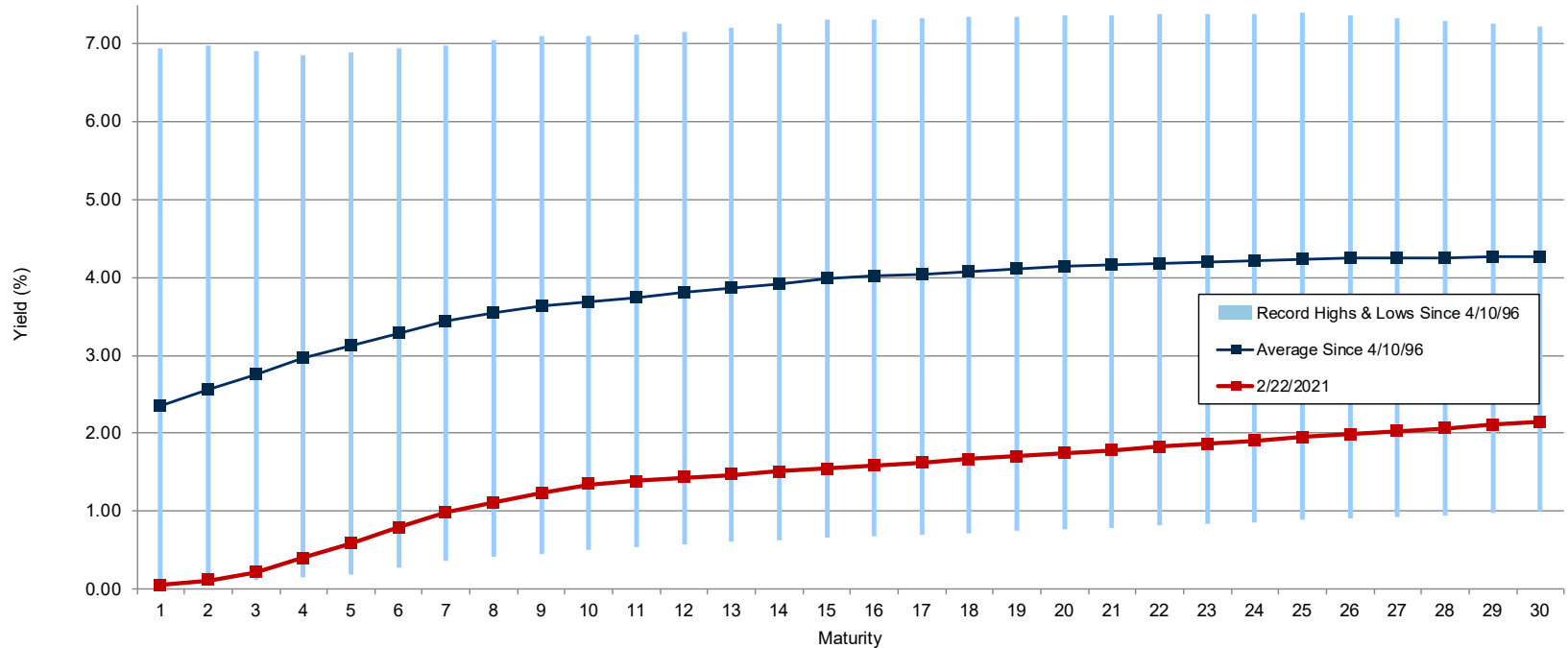
Historical MMD Rates



	1	5	10	15	20	25	30
Record Low since 1/1/93	0.06	0.16	0.58	0.88	1.08	1.22	1.27
Record High since 1/1/93	4.95	5.60	6.15	6.65	6.85	6.90	6.95
Average since 1/1/93	1.89	2.69	3.38	3.83	4.10	4.24	4.28
Current (02/19/21)	0.06	0.35	0.87	1.13	1.33	1.47	1.52



Historical Treasury Rates



	1	5	10	15	20	25	30
Record Low since 4/10/96	0.04	0.19	0.51	0.65	0.77	0.88	1.00
Record High since 4/10/96	6.94	6.89	7.09	7.30	7.36	7.39	7.22
Average since 4/10/96	2.34	3.13	3.69	3.98	4.15	4.23	4.27
Current (02/22/21)	0.05	0.59	1.35	1.55	1.75	1.95	2.15



Looking Forward

Bloomberg Economic Forecast

US Treasury	Current Rate	2021			2022				2023		Change from Current Rate to 2022 Q1
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
2 Year	0.11%	0.20%	0.24%	0.29%	0.35%	0.41%	0.48%	0.57%	0.66%	0.73%	0.24%
Economists Surveyed		56	56	48	48	45	44	42	29	29	
10 Year	1.34%	1.26%	1.34%	1.47%	1.50%	1.61%	1.67%	1.79%	1.87%	1.93%	0.16%
Economists Surveyed		61	63	54	54	51	50	50	34	34	
30 Year	2.13%	2.05%	2.14%	2.20%	2.20%	2.29%	2.34%	2.42%	2.50%	2.55%	0.07%
Economists Surveyed		46	46	41	41	40	39	37	27	27	

*Source: Bloomberg as of February 22, 2021.

Bloomberg Consensus

Economic Indicators	Current Rate	2021			2022			Change from Current Rate to 2022 Q1
		Q2	Q3	Q4	Q1	Q2	Q3	
Real GDP	4.00%	5.60%	6.15%	4.30%	3.10%	2.90%	2.50%	-0.90%
Consumer Price Index	1.27%	2.90%	2.30%	2.30%	2.20%	2.20%	2.20%	0.93%
Unemployment	6.77%	6.00%	5.70%	5.25%	4.95%	4.80%	4.60%	-1.82%
Fed Funds Target	0.25%	0.25%	0.25%	0.30%	0.30%	0.30%	0.35%	0.05%
3-month LIBOR	0.18%	0.28%	0.31%	0.32%	0.38%	0.43%	0.47%	0.20%

*Source: Bloomberg as of February 22, 2021.



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