



MINUTES

MAY 16, 2017

BRAZOS COUNTY COMMISSIONERS COURT

WORKSHOP SESSION

1. Call to Order

The Commissioners' Court of Brazos County, Texas met in a Workshop Session in the Commissioners' Courtroom in the Brazos County Administration Building in Bryan, Brazos County, Texas, beginning at 10:30 a.m. on Tuesday, May 16, 2017 with the following members of the Court present:

Duane Peters, County Judge, Presiding;
Steve Aldrich, Commissioner of Precinct 1;
Sammy Catalena, Commissioner of Precinct 2;
Nancy Berry, Commissioner of Precinct 3;
Irma Cauley, Commissioner of Precinct 4;
Karen McQueen, County Clerk, Absent.

Attached is a list of the citizens and officials in attendance.

The County Judge called the meeting to order at 10:39 a.m. and invited others to speak.

2. Presentation by PFM regarding possible benefits of Brazos County refinancing debt.

Dennis Waley with PFM Financial Advisors gave a refunding update to the Court. Mr. Waley began by stating the current market activity and future predictions. He said that Brazos County's bond rating is strong at AA. Mr. Waley recommends refunding the 2008 Bonds this year and waiting until 2018 to refund the 2009 Bonds. He stated that this will be a more efficient debt service savings.


Judge Peters mentioned that funds would be needed for the Juvenile Facility and it would be cost effective to do at the same time as the refunding of the 2008 Bonds.

3. Adjourn

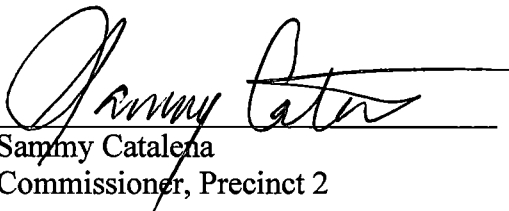
The foregoing minutes of the Commissioners Court Workshop Session held May 16,
2017, have been examined and are approved in open Court this the 6th day of
June, 2017, in Bryan, Brazos County, Texas.



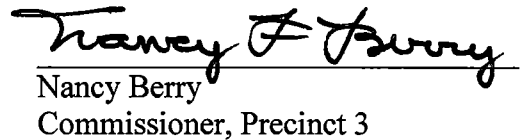
Duane Peters
County Judge



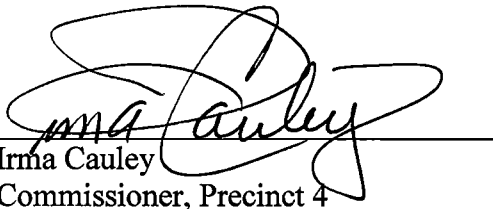
Steve Aldrich
Commissioner, Precinct 1



Sammy Catalena
Commissioner, Precinct 2



Nancy Berry
Commissioner, Precinct 3



Irma Cauley
Commissioner, Precinct 4

Attest:



Karen McQueen
County Clerk



**BRAZOS COUNTY
BRYAN, TEXAS**

NOTICE OF MEETING AND AGENDA

WORKSHOP SESSION

BRAZOS COUNTY COMMISSIONERS COURT

BRAZOS COUNTY COMMISSIONERS WILL MEET IN A WORKSHOP SESSION AS FOLLOWS:

MEETING DATE: May 16, 2017
MEETING TIME: 10:30 AM
MEETING PLACE: Commissioners Courtroom of the County Administration
Building, 200 South Texas Ave., Suite 106, Bryan, TX 77803

-
1. Call to Order
 2. Presentation by PFM regarding possible benefits of Brazos County refinancing debt.
 3. Adjourn

The Commissioners Courtroom of the County Administration Building, 200 South Texas Ave., Suite 106, Bryan, TX 77803 is wheelchair accessible. Handicap parking spaces are available. Any request for sign interpretive services must be made two working days before the meeting. To make arrangements, please call (979) 361-4102.

FILED

2017 MAY 12 P 12:41

KAREN McQUEEN, COUNTY CLERK
Brazos County, Texas
Cathy Dancovich

BRAZOS COUNTY COMMISSIONER'S COURT

16th DAY OF May, 2017
10:30 AM/PM, _____

Name

(PLEASE PRINT)

Nina Means

Dennis Waley

Irene Jeff

LAURA T DAVIS

Candy Gallego

Organization

(PLEASE PRINT)

Budget

PFM

Budget

TREAS

Comm. Court



**BRAZOS COUNTY
BRYAN, TEXAS**

DEPARTMENT: NUMBER:
DATE OF COURT MEETING: 5/16/2017
ITEM: Presentation by PFM regarding possible benefits of Brazos County refinancing debt.
TO: Commissioners Court
DATE: 05/12/2017
FISCAL IMPACT: False
BUDGETED: False
DOLLAR AMOUNT: \$0.00

ATTACHMENTS:

File Name

Description

Type

No Attachments Available



Brazos County, TX

Refunding Update

May 16, 2017

PFM Financial
Advisors LLC

221 W. 6th Street
Suite 1900
Austin, TX 78701

(512) 614-5323
pfm.com



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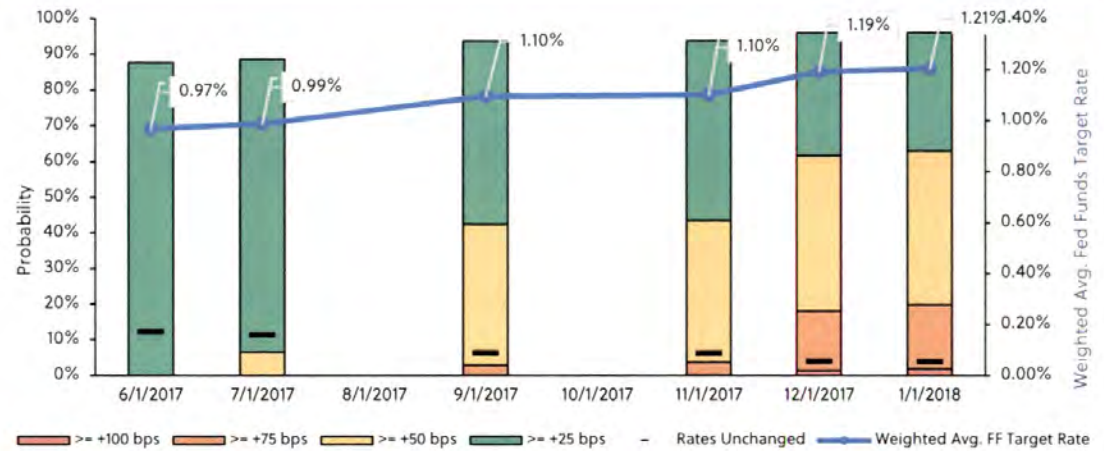
I. Market Update



Current Interest Rate Environment

- Wednesday, domestic equity indices were relatively unchanged despite the controversy around FBI Director Comey's sudden firing.
- Treasury yields ended only modestly higher after a weak auction of 10-year Treasury notes.
- High grade municipal bonds were slightly stronger as Treasuries finished slightly weaker.
- In the primary market, several of this week's largest deals were bumped during afternoon re-pricing.
- Current trading of Fed Funds Futures puts the probability of a June rate hike at just under 90%.

Fed Rate Hike Probabilities*

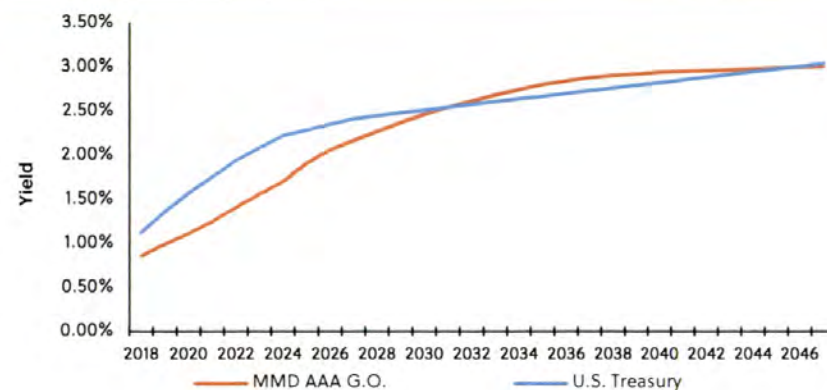


Current Rates*

Maturity	MMD AAA G.O.	U.S. Treasury
1-yr	0.86%	1.12%
2-yr	0.99%	1.36%
3-yr	1.11%	1.57%
5-yr	1.41%	1.94%
7-yr	1.70%	2.22%
10-yr	2.17%	2.42%
15-yr	2.61%	2.57%
20-yr	2.88%	2.73%
30-yr	3.01%	3.04%

* Scale Date as of 5/10/2017

Current Yield Curves





Market Update

Change in Interest Rates

MMD AAA G.O. Yield Δ

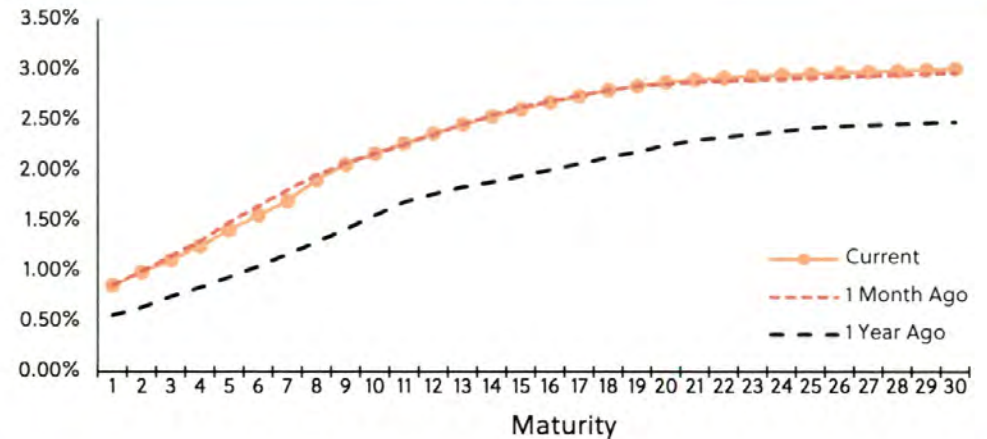
Maturity	Current*	1 Month Ago	1 Year Ago	Yield Change	
				1 Month	1 Year
1-yr	0.86%	0.86%	0.56%	---	+ 0.30%
2-yr	0.99%	1.00%	0.64%	- 0.01%	+ 0.35%
3-yr	1.11%	1.15%	0.75%	- 0.04%	+ 0.36%
5-yr	1.41%	1.49%	0.94%	- 0.08%	+ 0.47%
7-yr	1.70%	1.81%	1.17%	- 0.11%	+ 0.53%
10-yr	2.17%	2.17%	1.56%	---	+ 0.61%
15-yr	2.61%	2.63%	1.95%	- 0.02%	+ 0.66%
20-yr	2.88%	2.86%	2.25%	+ 0.02%	+ 0.63%
30-yr	3.01%	2.97%	2.48%	+ 0.04%	+ 0.53%

U.S. Treasury Yield Δ

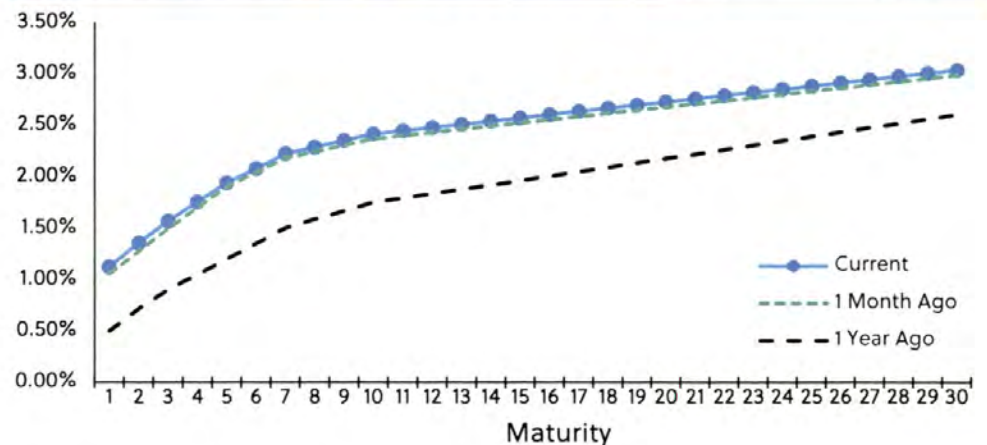
Maturity	Current*	1 Month Ago	1 Year Ago	Yield Change	
				1 Month	1 Year
1-yr	1.12%	1.06%	0.50%	+ 0.07%	+ 0.62%
2-yr	1.36%	1.28%	0.72%	+ 0.08%	+ 0.64%
3-yr	1.57%	1.50%	0.90%	+ 0.07%	+ 0.66%
5-yr	1.94%	1.90%	1.20%	+ 0.04%	+ 0.74%
7-yr	2.22%	2.18%	1.50%	+ 0.04%	+ 0.72%
10-yr	2.42%	2.37%	1.75%	+ 0.05%	+ 0.66%
15-yr	2.57%	2.52%	1.97%	+ 0.05%	+ 0.61%
20-yr	2.73%	2.68%	2.18%	+ 0.05%	+ 0.55%
30-yr	3.04%	2.99%	2.61%	+ 0.05%	+ 0.43%

* Scale Date as of 5/10/2017

Changes in the MMD Curve



Changes in the Treasury Curve





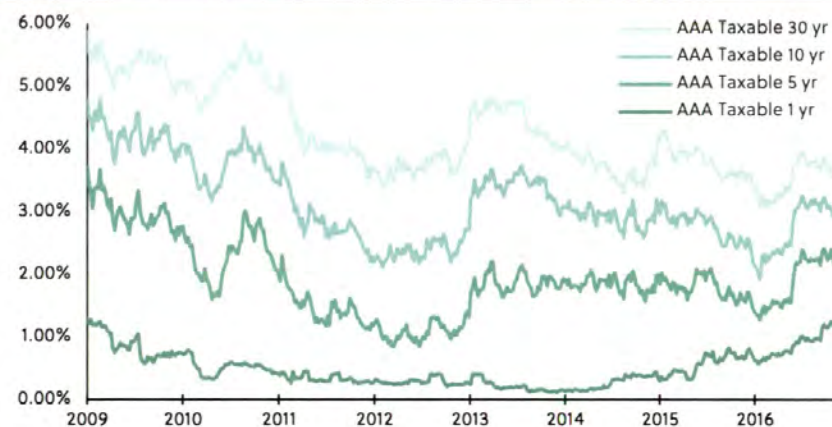
Market Update

Historical Interest Rates

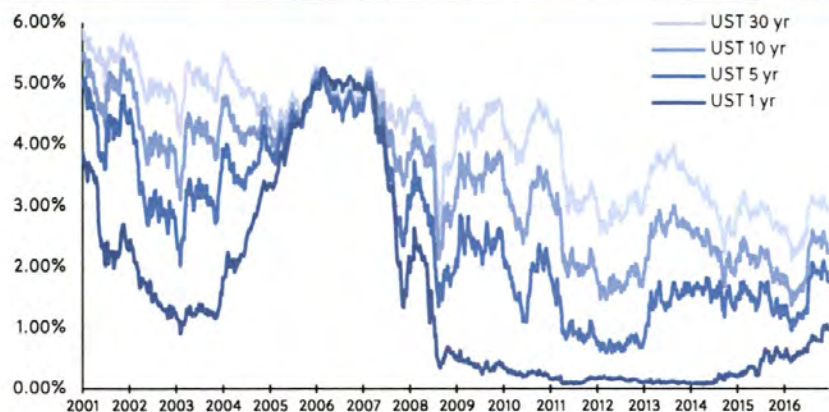
Tax-Exempt MMD AAA G.O. Rates



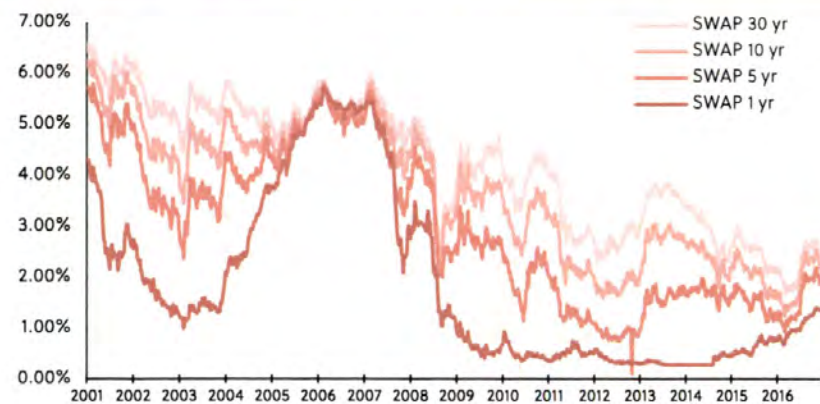
Taxable AAA G.O. Rates



U.S. Treasury Rates



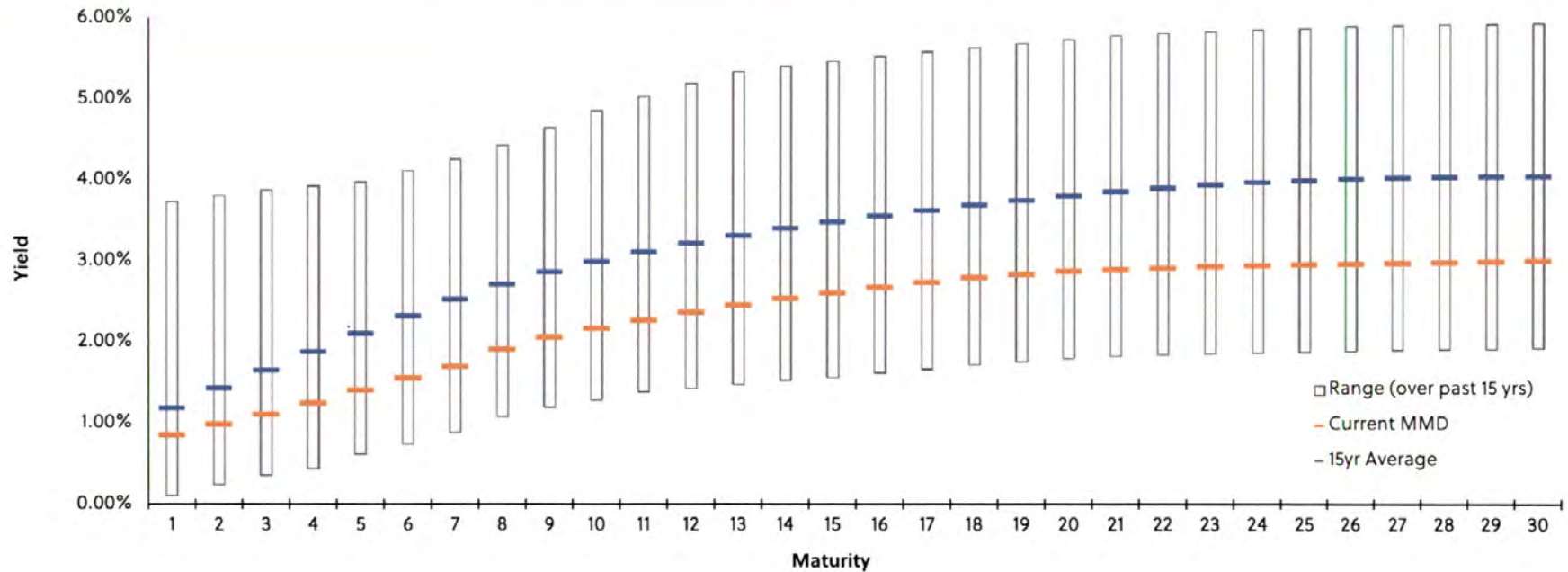
LIBOR Swap Rates





Historical Interest Rates

Range of MMD AAA G.O. Rates Over the Past 15 Years



	1-Year	3-Year	5-Year	7-Year	10 -Year	15-Year	20-Year	25-Year	30-Year
Current*	0.86%	1.11%	1.41%	1.70%	2.17%	2.61%	2.88%	2.96%	3.01%
Average	1.19%	1.66%	2.11%	2.53%	3.00%	3.49%	3.81%	4.00%	4.06%
Spread to Avg.	- 33 bps	- 55 bps	- 70 bps	- 83 bps	- 83 bps	- 88 bps	- 93 bps	- 104 bps	- 105 bps
Maximum	3.73%	3.88%	3.98%	4.26%	4.86%	5.47%	5.74%	5.88%	5.94%
Minimum	0.11%	0.36%	0.62%	0.89%	1.29%	1.57%	1.80%	1.88%	1.93%

* Scale Date as of 5/10/2017



II. Refunding Opportunities



Refunding Opportunities

Market Pricing for Bonds

Brazos County, TX Spread to MMD

Year	MMD AAA GO ¹	Brazos County, TX ²	Spread (bp's)
2018	0.86%	1.00%	+ 14
2019	0.99%	1.17%	+ 18
2020	1.11%	1.33%	+ 22
2021	1.25%	1.51%	+ 26
2022	1.41%	1.71%	+ 30
2023	1.56%	1.88%	+ 32
2024	1.70%	2.04%	+ 34
2025	1.91%	2.27%	+ 36
2026	2.06%	2.44%	+ 38
2027	2.17%	2.57%	+ 40
2028	2.27%	2.69%	+ 42
2029	2.37%	2.81%	+ 44
2030	2.46%	2.90%	+ 44
2031	2.54%	2.98%	+ 44
2032	2.61%	3.05%	+ 44
2033	2.68%	3.12%	+ 44
2034	2.74%	3.18%	+ 44
2035	2.80%	3.24%	+ 44
2036	2.84%	3.28%	+ 44
2037	2.88%	3.32%	+ 44
2038	2.90%	3.34%	+ 44
2039	2.92%	3.36%	+ 44
2040	2.94%	3.38%	+ 44
2041	2.95%	3.39%	+ 44
2042	2.96%	3.40%	+ 44
2043	2.97%	3.41%	+ 44
2044	2.98%	3.42%	+ 44
2045	2.99%	3.43%	+ 44
2046	3.00%	3.44%	+ 44
2047	3.01%	3.45%	+ 44

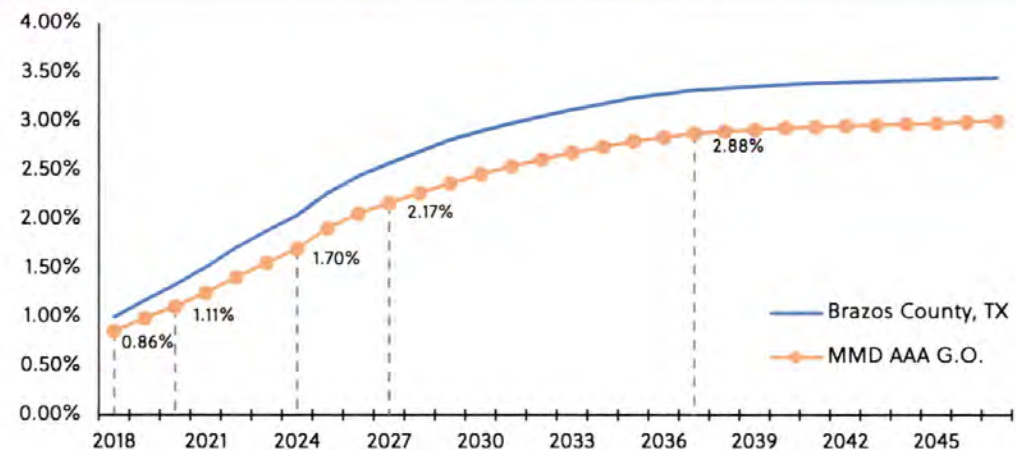
¹ Scale Date as of 5/10/2017

² Scale Pricing assumes a 10 year call option and 5% coupons

Brazos County, TX

- Current bond ratings:
- Standard & Poor's: **AA**
- The County could realize considerable debt service savings from refunding the outstanding LTGO Series 2008 Bonds.
- Waiting to refund the 2009 C/O Series till 2018 and then refunding as a BQ issue may produce more efficient debt service savings versus refunding as a non-BQ refunding this year.

Spread to MMD AAA G.O.





Refunding Opportunities

Refunding Summary Results

- Refunded par listed below satisfies the following minimum criteria:
 - 4% minimum present value ("PV") savings as a percentage of total par
 - 60% minimum savings as a percentage of Option Value
- Refunding of LTGO Series 2008 and the Combined Tax & Revenue C/O Series 2009

Summary Refunding Statistics		
Dated/Delivery		10/1/2017
Par Amount of Refunded Bonds	\$	37,140,000
Refunding Bonds Par Amount	\$	33,000,595
True Interest Cost		2.355%
Average Life of Refunding Bonds		7.216
Negative Arbitrage	\$	(374,568)
Refunding Efficiency		91.60%
Nominal Cash Flow Savings	\$	4,810,867
Net PV Savings	\$	4,086,939
Net PV Savings as % of Refunded Par		11.004%



Refunding Opportunities

Series-by-Series Summary Results

- Refunded par listed below satisfies the following minimum criteria:
 - 4% minimum present value ("PV") savings as a percentage of total par
 - 60% minimum savings as a percentage of Option Value
- Since the 2009 C/Os are designated BQ, it may be best to refund them in 2018 at BQ rates even though the recent rally in interest rates has improved their savings. Waiting until 2018 will also improve the efficiency of a refunding.

Individual Series Refunding Statistics							
Bond Series	Refunded Par	Nominal Savings	PV Savings ¹	PV Savings as % of Par	Negative Arbitrage ²	Refunding Efficiency ³	
Ltd Tax Bds Ser 2008	\$ 33,770,000	\$ 4,539,036	\$ 3,868,083	11.45%	\$ (315,644)	92.46%	
C/O's, Series 2009	3,370,000	271,830	218,856	6.49%	(58,924)	78.79%	
TOTALS:	\$ 37,140,000	\$ 4,810,867	\$ 4,086,939	11.00%	\$ (374,568)	91.60%	

¹ The criteria of the results were based on 4% Minimum Savings as % of Par and 60% Minimum Savings % of Option Value

² Negative arbitrage calculation is based off of current SLGS rates

³ Refunding Efficiency = $\text{PV Savings} / (-\text{Negative Arbitrage} + \text{PV Savings})$

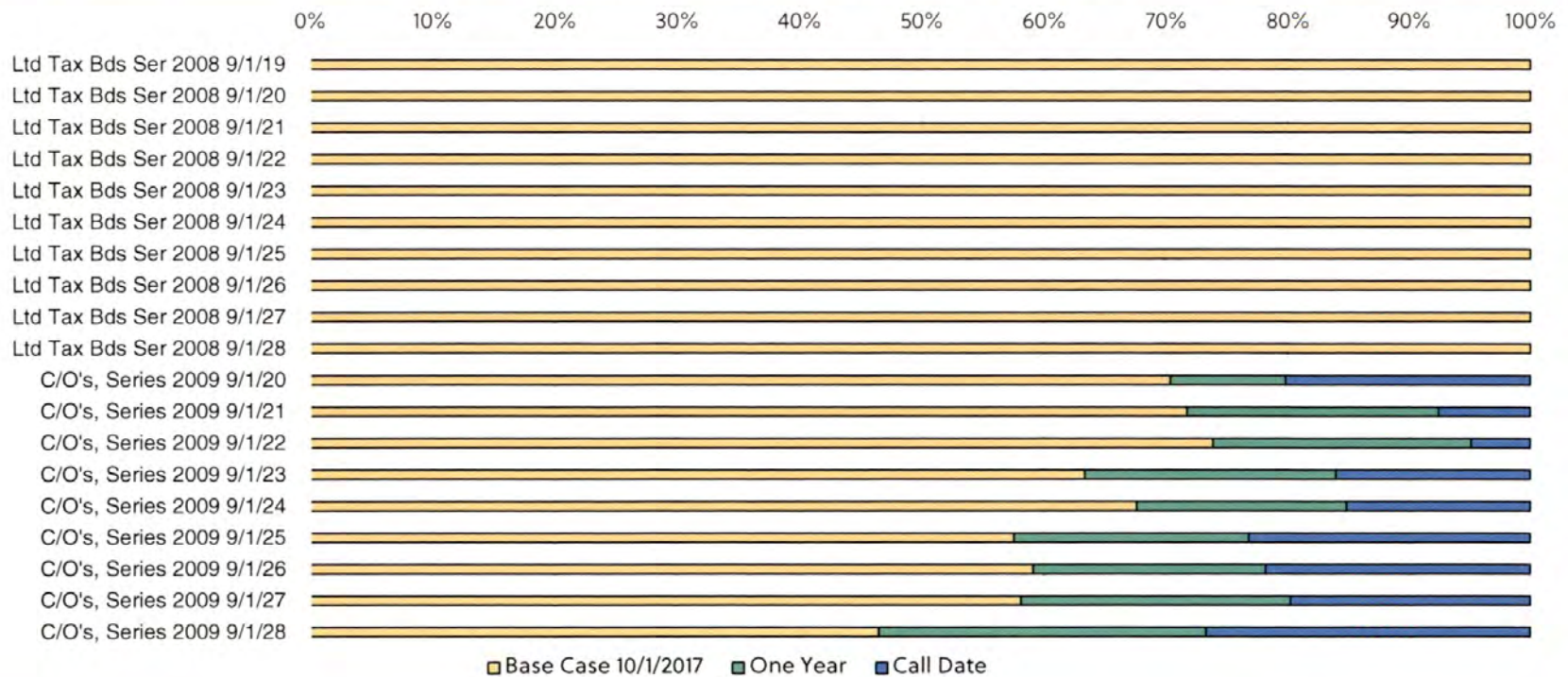


Refunding Opportunities

Call Efficiency

- Call Efficiency measures the efficiency of a refunding dated in advance of the call date versus a current refunding dated at the call date.
 - Calculated by comparing the savings realized from an advance refunding dated before the call date to the total savings of a current refunding dated at the call date (100% efficiency).

Current Savings vs Potential Future Savings



* Assumes rates remain unchanged



Maturity-By-Maturity Analysis

Refunding Opportunities

Refunding Candidates¹

Bond Series	Maturity	Par Amount	Coupon	Call Date	Refunding Par Amount
Ltd Tax Bds Ser 2008	9/1/2019	\$ 2,990,000	4.000%	9/1/2018	\$ 2,898,322
Ltd Tax Bds Ser 2008	9/1/2020	3,125,000	4.000%	9/1/2018	2,939,910
Ltd Tax Bds Ser 2008	9/1/2021	3,265,000	4.125%	9/1/2018	2,999,685
Ltd Tax Bds Ser 2008	9/1/2022	3,415,000	5.000%	9/1/2018	3,102,393
Ltd Tax Bds Ser 2008	9/1/2023	3,570,000	5.000%	9/1/2018	3,189,091
Ltd Tax Bds Ser 2008	9/1/2024	3,730,000	5.000%	9/1/2018	3,286,530
Ltd Tax Bds Ser 2008	9/1/2025	3,895,000	5.000%	9/1/2018	3,412,364
Ltd Tax Bds Ser 2008	9/1/2026	4,070,000	4.500%	9/1/2018	3,527,198
Ltd Tax Bds Ser 2008	9/1/2027	4,255,000	4.500%	9/1/2018	3,664,506
Ltd Tax Bds Ser 2008	9/1/2028	4,445,000	4.500%	9/1/2018	3,865,556
C/O's, Series 2009	9/1/2020	475,000	4.000%	9/1/2019	457,233
C/O's, Series 2009	9/1/2021	475,000	4.000%	9/1/2019	445,988
C/O's, Series 2009	9/1/2022	470,000	4.000%	9/1/2019	432,711
C/O's, Series 2009	9/1/2023	475,000	4.000%	9/1/2019	430,017
C/O's, Series 2009	9/1/2024	475,000	4.000%	9/1/2019	424,147
C/O's, Series 2009	9/1/2025	440,000	4.100%	9/1/2019	391,386
C/O's, Series 2009	9/1/2026	500,000	4.100%	9/1/2019	442,067
C/O's, Series 2009	9/1/2027	500,000	4.150%	9/1/2019	439,718
C/O's, Series 2009	9/1/2028	510,000	4.200%	9/1/2019	453,318
C/O's, Series 2009	9/1/2029	530,000	4.250%	9/1/2019	476,135
C/O's, Series 2009	9/1/2030	625,000	4.350%	9/1/2019	566,631
C/O's, Series 2009	9/1/2031	625,000	4.350%	9/1/2019	570,302
C/O's, Series 2009	9/1/2032	620,000	4.500%	9/1/2019	570,526
C/O's, Series 2009	9/1/2033	620,000	4.500%	9/1/2019	573,753
C/O's, Series 2009	9/1/2034	620,000	4.500%	9/1/2019	576,527
TOTALS:		\$ 44,720,000			\$ 40,136,014

Savings

Nominal Savings	PV Savings ²	Cumulative PV Savings	PV Savings as % of Par
\$ 53,122	\$ 51,719	\$ 51,719	1.73%
131,354	125,703	177,422	4.02%
216,602	203,297	380,719	6.23%
403,685	375,039	755,758	10.98%
508,469	461,925	1,217,683	12.94%
612,379	543,165	1,760,848	14.56%
689,909	593,705	2,354,553	15.24%
618,610	506,470	2,861,023	12.44%
688,259	545,992	3,407,015	12.83%
669,770	512,787	3,919,802	11.54%
8,087	7,655	3,927,457	1.61%
17,672	16,422	3,943,879	3.46%
24,915	22,532	3,966,411	4.79%
31,769	27,897	3,994,308	5.87%
37,169	31,590	4,025,897	6.65%
38,011	31,123	4,057,021	7.07%
45,344	35,578	4,092,599	7.12%
49,756	37,748	4,130,347	7.55%
44,866	32,387	4,162,735	6.35%
40,467	27,578	4,190,312	5.20%
45,857	30,226	4,220,539	4.84%
38,487	23,443	4,243,982	3.75%
42,457	26,332	4,270,314	4.25%
36,036	20,727	4,291,041	3.34%
30,127	15,740	4,306,781	2.54%
\$ 5,123,178	\$ 4,306,781		9.631%

Efficiency of Candidates

Negative Arbitrage ³	Refunding Efficiency ⁴	PV Savings as % of Option Value ⁵
\$ (2,224)	95.88%	99.34%
(6,965)	94.75%	98.18%
(12,713)	94.11%	97.21%
(19,727)	95.00%	96.49%
(26,242)	94.62%	96.14%
(32,934)	94.28%	96.30%
(42,645)	93.30%	93.74%
(50,745)	90.89%	92.08%
(58,105)	90.38%	92.99%
(65,565)	88.66%	84.89%
(3)	99.96%	103.98%
(1,662)	90.81%	93.99%
(3,463)	86.68%	89.03%
(5,055)	84.66%	87.18%
(6,513)	82.91%	86.33%
(7,974)	79.60%	80.93%
(10,679)	76.91%	78.51%
(11,918)	76.00%	79.09%
(13,322)	70.86%	65.88%
(15,053)	64.69%	54.69%
(18,833)	61.61%	48.66%
(19,774)	54.25%	39.26%
(20,467)	56.27%	39.62%
(21,283)	49.34%	32.16%
(21,980)	41.73%	25.24%
\$ (495,846)		

Refunding Assumptions and Calculations:

- The criteria of the results were based on 4% Minimum Savings as % of Par and 60% Minimum PV Savings as a % of Option Value
- PV Savings calculated using the maturities current market yields as the discount rates
- Negative arbitrage calculation is based off of current SLGS rates
- Refunding Efficiency = $\frac{\text{PV Savings}}{\text{PV Savings} - \text{Negative Arbitrage}}$
- PV Savings / Fair Value of the Call Option going forward



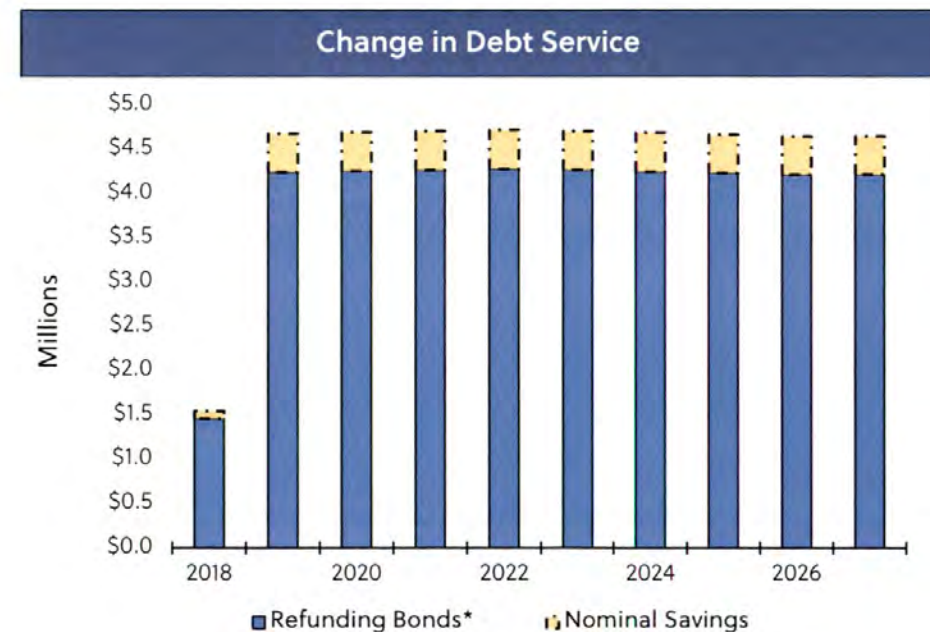
Refunding Opportunities

Debt Service Savings

- The refunding savings were derived using a Proportional Debt Service solution for all callable LTGO Series 2008 Bonds.

Debt Service Savings				
Maturity	Prior Debt Service	Refunding Bonds*	Nominal Savings	
9/1/2018	\$ 1,544,062	\$ 1,454,567	\$	89,495
9/1/2019	4,674,431	4,236,800		437,631
9/1/2020	4,689,831	4,250,800		439,031
9/1/2021	4,704,831	4,260,000		444,831
9/1/2022	4,720,150	4,275,500		444,650
9/1/2023	4,704,400	4,263,000		441,400
9/1/2024	4,685,900	4,243,500		442,400
9/1/2025	4,664,400	4,227,000		437,400
9/1/2026	4,644,650	4,208,000		436,650
9/1/2027	4,646,500	4,211,250		435,250
9/1/2028	4,645,025	4,205,250		439,775
TOTALS:	\$ 43,679,156	\$ 39,630,417	\$	4,048,739

Net Present Value Savings \$	3,916,306
PV Savings as % of Refunded Par	10.65%



* Solution was derived using Proportional Debt Service and the criteria of the bonds used were based on 4% Minimum Savings as % of Par and 60% Minimum Savings % of Option Value.



Refunding Opportunities

Sensitivity to Interest Rate Changes

- Due to the shorter final maturity of the 2008 Bonds to be refunded, the total savings from a refunding is less sensitive to changes in interest rates.

Scenario Analysis				
Change in Yield & Coupon	Refunding Par	PV Savings	As a % of Refunded Par	
+ 100 bps	\$ 32,670,000	\$ 1,850,699	4.98%	
+ 75 bps	\$ 32,705,000	\$ 2,349,869	6.33%	
+ 50 bps	\$ 32,745,000	\$ 2,860,487	7.70%	
+ 25 bps	\$ 32,780,000	\$ 3,382,657	9.11%	
Unchanged	\$ 33,000,595	\$ 3,916,306	10.54%	
- 25 bps	\$ 32,860,000	\$ 4,461,789	12.01%	
- 50 bps	\$ 32,895,000	\$ 5,020,057	13.52%	

