



## Infrastructure Financing - for our future... *Introduction*

In association with the PFM Financial Condition Assessment and its Recommendations (Feb. 2025), we're proposing:

Debt financing through the issuance of Municipal Bonds for infrastructure projects.

The key points to this proposal are:

- We only borrow for large capital improvement projects that have a long useful life (e.g., infrastructure maintenance), while continuing to use pay-as-you-go funding for projects with a shorter useful life (e.g., vehicles).
- Municipal Bonds are generally repaid over 20 to 30 years but have the option to refinance beginning typically at year 7 - this will be our goal if doing so is advantageous for the Town.
- While borrowing has a higher cost due to interest, it can free up current resources and prevent large General Fund tax rate increases that would likely be necessary to maintain our infrastructure. Ocean View's strong financial status and current AA+ bond rating support attractive interest rates. An updated bond rating would be required to take place.
- **Good news!** It's been forecasted that Ocean View's Street Repair and Replacement and Capital Replacement Trust Funds can be utilized to pay the annual debt service while we knock out long useful life projects that had already been identified, and some delayed due to funding! <sub>1</sub>



If the decision is made to borrow for Infrastructure projects, it's our recommendation that our Existing Trust Funds be used to satisfy the debt service. Not property taxes/or the General Fund!

*REMINDER – OUR ORIGINAL TRUST FUNDS ARE NOT RELIED ON TO FUND OPERATIONS (GENERAL FUND). THEY ACCRUE FROM REVENUES RECEIVED IN ASSOCIATION WITH THE PAYMENT OF TRANSFER TAXES FROM THE SALE OF REAL PROPERTY!*

Our conservative forecasting has determined that the existing Capital Repair & Replacement Trust Fund (CRRTF) and the

Street Replacement and Repair Trust Fund (SRRTF) can be expected to fund our debt service as follows:

# Forecast of Ocean View's Ability to Fund Debt Service from Established Trust Funds

	Debt Service					Remaining Funds in Trust Accounts
	CRTF Funding	CRTF Reserve Study Projects	SRRTF Funding	SRRTF Budgeted Projects	(90% SRRTF / 10% CRTF)	
	(a)	(b)	(c)	(d)	(e)	
<b>FY25 Ending Balance</b>	<b>1,326,448</b>		<b>1,095,727</b>			<b>2,422,175</b>
FY26	452,806	(298,960)	1,431,653	(699,680)		3,307,994
FY27	161,431	(217,500)	1,100,202	(1,290,640)		3,061,487
FY28	296,368	(523,240)	1,178,486	(859,480)	(315,782)	2,837,839
FY29	295,306	(93,735)	1,023,130	(601,820)	(424,750)	3,035,970
FY30	295,094	(71,685)	933,340	(592,300)	(561,375)	3,039,044
FY31	295,519	(465,970)	845,728	(714,100)	(559,375)	2,440,846
FY32	297,344	(262,286)	778,677	(275,000)	(561,750)	2,417,831
FY33	303,355	(38,568)	782,595	(275,000)	(558,500)	2,631,713
FY34	311,115	(68,873)	778,122	(275,000)	(559,625)	2,817,452
FY35	317,759	(160,860)	781,979	(275,000)	(560,000)	2,921,331
	<b>4,352,545</b>	<b>(2,201,677)</b>	<b>10,729,640</b>	<b>(5,858,020)</b>	<b>(4,101,157)</b>	<b>2,921,331</b>

**NOTES:**

- (a) CRTF Funding includes the FY25 ending balance plus anticipated Transfer Tax (12.5%), interest and the GF annual contribution as determined by the Capital Reserve Study.
- (b) CRTF Funded capital improvements as reflected in the January 2026 Capital Reserve Study and the FY27-FY31 CIP.
- (c) SRRTF Funding includes the FY25 ending balance plus estimated MSA contributions, Transfer Tax (25% plus excess) and interest.
- (d) SRRTF Funded Drainage, Street and Sidewalk projects as shown in the FY27 - FY31 CIP as well as sidewalk repairs and street paving (5-year pavement program).
- (e) Debt service will be paid from SRRTF (90%) and CRTF (10%) based on the percentage of the projects being funded.



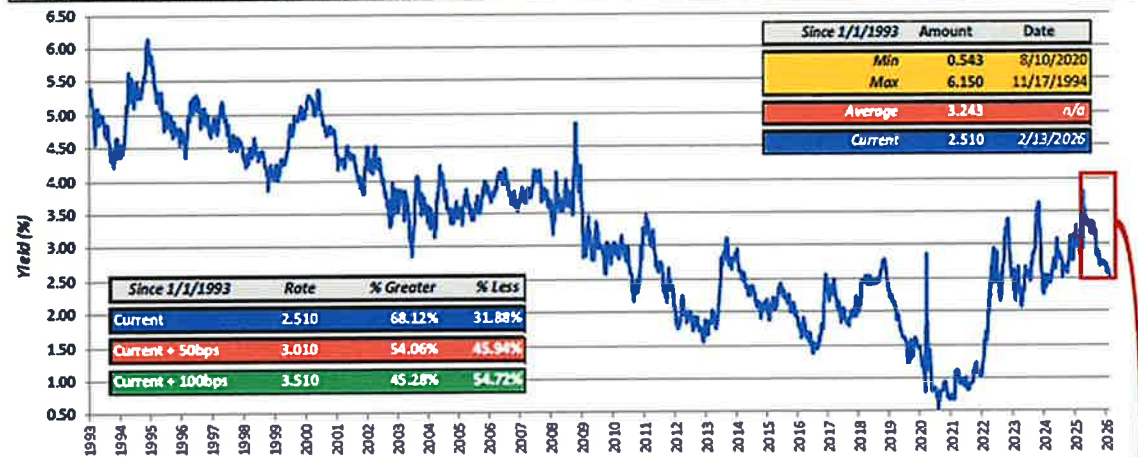
*Welcome to our consultants from  
PFM Financial Advisors –*

*Garrett Moore and Jamie Schlesinger*

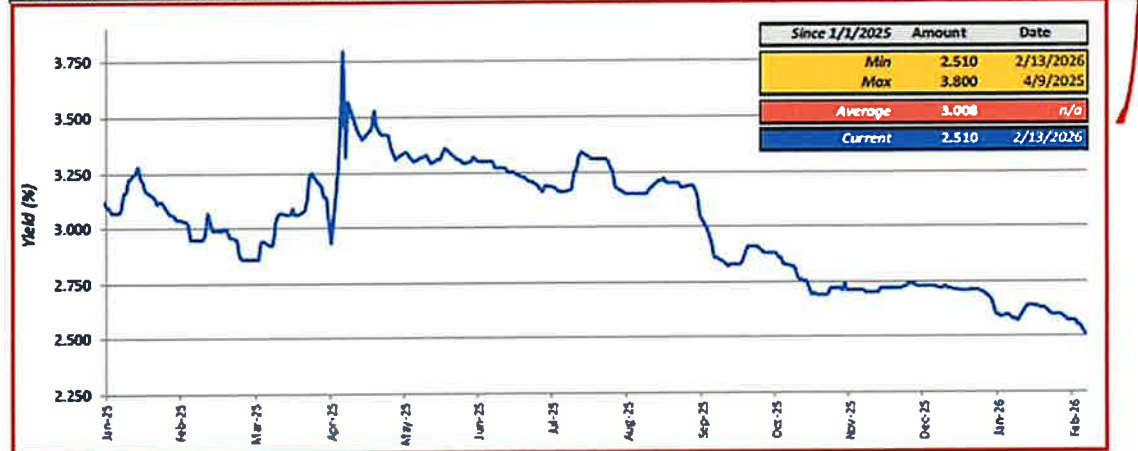
*Additional information regarding the  
recommendation to borrow...*

# Market Update

SPOT ANALYSIS - 10 YEAR BVAL - SINCE JANUARY 1, 1993 [1]



SPOT ANALYSIS - 10 YEAR BVAL - SINCE JANUARY 1, 2025





# Issuing Bonds

## Federal Tax Laws Recap

- Federal tax laws permit an Issuer to borrow at a tax-exempt interest rate and invest the proceeds at an unlimited (taxable) yield subject to arbitrage requirements during the period of project construction, but only if the following three tests can be satisfied. The governing board must reasonably expect at the time of the borrowing:
  - **Expenditure Test:** Issuer will spend 85% of the proceeds within three years.
  - **Time Test:** Issuer will incur a substantial binding obligation (sign a design contract, award a construction bid) within six months, equal to at least 5% of the borrowing amount.
  - **Due Diligence Test:** Construction of the project will proceed, and the bonds funds will be spent, with due diligence to completion.

## Bank Qualified Bonds Review

- Current IRS tax law states that a tax-exempt issuer can issue \$10 million of Bank Qualified (“BQ”) bonds per calendar year.
  - Holders of BQ bonds enjoy certain additional tax benefits, resulting in higher demand.
    - BQ bonds typically have lower interest rates and a shorter call feature than non-BQ bonds.

# Sample Debt Service Schedule

- Based on the current project list provided by the Town, the Town is looking to finance approximately \$6.8 million.
- In order to mitigate the debt service impact in FY2027, the Town could consider utilizing capitalized interest to eliminate any impact in the upcoming budget.
- The bonds could also be structured to include a multi-year phase in.

	<b>NEW MONEY</b>	<b>Fiscal Year Ending</b>	<b>Proposed Debt Service [1]</b>
<i>Available for Projects</i>	\$6,788,150	4/30/2026	
<i>Capitalized Interest</i>	\$150,000	4/30/2027	
<i>Timing</i>	November, 2026	4/30/2028	312,782
<i>Term</i>	20 Years	4/30/2029	434,750
<i>Structure</i>	Level Debt Service	4/30/2030	561,375
		4/30/2031	559,375
		4/30/2032	561,750
		4/30/2033	558,500
		4/30/2034	559,625
		4/30/2035	560,000
		4/30/2036	559,625
		4/30/2037	558,500
		4/30/2038	561,500
		4/30/2039	558,625
		4/30/2040	559,875
		4/30/2041	560,125
		4/30/2042	559,375
		4/30/2043	557,625
		4/30/2044	559,750
		4/30/2045	560,625
		4/30/2046	560,250
		4/30/2047	558,625
		4/30/2048	
		4/30/2049	
		4/30/2050	
		<b>TOTAL</b>	<b>10,822,657</b>

[1] Estimated based on current market rates. Actual rates to be determined at time of pricing.  
 NOTE: The term of the financing cannot exceed the useful life of the project.

# Preliminary Timeline

February						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

March						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

April						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

May						
S	M	T	W	T	F	S
						1 2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

June						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

July						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

August						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

September						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Tentative Timeline	
Date	Objective
Tuesday, February 24, 2026	<ul style="list-style-type: none"> <li>* Regularly Scheduled Workshop Meeting *</li> <li>- Initial Discussion on Plan of Finance</li> <li>- Authorization to proceed</li> </ul>
Tuesday, May 12, 2026	<ul style="list-style-type: none"> <li>* Regularly Scheduled Council Meeting *</li> <li>- Introduction of Parameters Ordinance/Resolution</li> </ul>
Tuesday, June 9, 2026	<ul style="list-style-type: none"> <li>* Regularly Scheduled Council Meeting *</li> <li>- First Reading of Parameters Ordinance/Resolution</li> </ul>
Tuesday, July 14, 2026	<ul style="list-style-type: none"> <li>* Regularly Scheduled Council Meeting *</li> <li>- Second Reading of Parameters Ordinance/Resolution</li> <li>- Council consideration of Parameters Ordinance/Resolution</li> </ul>
Early/Mid September	<ul style="list-style-type: none"> <li>- PFM sends Draft POS to Rating Agency</li> <li>- Due Diligence call with financing team</li> </ul>
Mid-October	<ul style="list-style-type: none"> <li>- Credit Rating Call with Standard &amp; Poors</li> </ul>
Late October	<ul style="list-style-type: none"> <li>- Credit Rating Due Back to Town</li> <li>- Print / Post the Final POS</li> </ul>
Early November	<ul style="list-style-type: none"> <li>- Bond Sale / Lock in Rates</li> </ul>
Mid-November	<ul style="list-style-type: none"> <li>- Settlement Date (Funds available for Town use)</li> </ul>