

# TOWN OF KILL DEVIL HILLS

## BUDGET AMENDMENT REQUEST



<i>Finance Department Use Only</i>
<i>Budget Amendment Number: 14</i>
<i>Finance Officer: AD</i>

INCREASE (DECREASE)			INCREASE (DECREASE)		
CODE	ACCOUNT DESCRIPTION	AMOUNT	CODE	ACCOUNT DESCRIPTION	AMOUNT
5050 582000 7500	Note Payment - Interest	\$57,278.00	10 499100	Fund Balance Appr – Undesignated	\$57,278.00
TOTAL		\$57,278.00	TOTAL		\$57,278.00

JUSTIFICATION: To appropriate funds to pay the interest associated with the renewal of the 2021B FEMA special obligation bond

RECOMMENDED:

APPROVED:

DATE:

April 5, 2023



**Town of Kill Devil Hills**  
**Finance Department**  
P.O. Box 1719  
Kill Devil Hills, NC 27948

MEMORANDUM

April 5, 2023

To: Debbie Diaz, Town Manager  
Charlene Allen, Assistant Town Manager

From: Beverly Kissinger, Finance Director  
Angell Doughtie, Assistant Finance Director

RE: PNC – SOB - FEMA 2021B Grant Project Redemption

On December 14, 2021, the Town issued a variable rate special obligation bond (FEMA 2021B) with PNC Bank for the portion of the 2022 Beach Nourishment project that was allocated for FEMA reimbursement. This one-year financing agreement was for \$3,638,169 with an initial interest rate of 1.68%, totaling \$61,121 in annual interest cost. The financing contract required quarterly interest payments beginning in January 2022, and one principal payment in December 2022, using proceeds received from a FEMA grant. FEMA proceeds were not received by this date therefore the bond maturity was renewed for a second term per the terms of the Resolution dated October 11, 2021.

The Second Term Interest Rate increased to 5.06% with an expiration date of December 14, 2023. This agreement requires quarterly interest payments that began in January 2023 and one principal payment in December 2023. The total interest cost for the full term would be \$184,091. To avoid some of the interest costs associated with the renewed bond, staff is recommending that we pay off the FEMA 2021B bond on April 6, 2023.

A total of \$3,242,660 of FEMA funds have been received and deposited in the PNC Bond Sinking Fund to be used to pay off the bond with only \$395,509 needed to complete the payoff. This final payment will be reimbursed by FEMA when the project is completed and closed out.

A budget amendment from undesignated fund balance is recommended for interest charges accrued from the December 14, 2022 extension date to the April 6, 2023 payoff date in the amount of \$57,278. Second term interest was not originally budgeted as we had planned to finalize the project and pay off the bond on or before the December 2022 due date. In addition to these interest charges, PNC Bank has informed us on March 20, that given the extreme volatility and especially the reduction of short-term rates over the last week, the Prepayment Fee (referred to as "Cost of Redemption" in the Issuance Resolution) estimate has moved to positive. Based on the rates as of Friday March 17, the prepayment fee was \$6,406.57. This is just an estimate and not final. Per the language in the note the prepayment fee calculation is dependent on rates which change daily and is valid for only two business days. The final applicable Payoff Letter including the Prepayment Fee valid for April 6, 2023 will be generated on April 4, 2023. Should a prepayment fee be necessary, existing funds in the Beach Nourishment department will be used to cover this cost.