

# MUNICAP, INC.

PUBLIC FINANCE

## Heritage Shores Refunding Summary

### Summary:

The Series 2020 Bonds, in the amount of \$12,295,000, were issued on November 23, 2020 by the Commissioners of Bridgeville to refund the outstanding Series 2005A Bonds. The Series 2005A Bonds were previously unrated. As a result of the progress in developing the project, the Series 2020 Bonds received a Baa3 rating.

### Comparison of Bonds:

The table below provides the bonds assumptions for the Series 2005A and Series 2020 Bonds.

<b>Assumptions:</b>	<b>Prior to Refunding</b>	<b>After Refunding</b>
Interest Rate	5.45%	2.00% - 4.00%
Maturity	7/1/2035	7/1/2035
Bonds Outstanding	\$13,206,000	\$12,295,000

### Bond Repayment:

#### *Special Tax Revenues*

Bonds are repaid from special taxes levied on property within the Heritage Shores special taxing district. It is this property that benefits and is able to utilize the improvements financed by the bonds. Special taxes are collected from two categories of property:

1. Developed property which is property for which a building permit has been issued and is fully utilizing the bond financed improvements; and
2. Undeveloped property which is property that is not yet developed and not fully utilizing the improvements.

As outlined in the Rate and Method of Apportionment (the "RMA"), developed property is billed at set rates for varying classes of property. The rate levied on developed property is referred to as the assigned special tax rate and represents a property's share of costs of the improvements financed by the bonds. This rate increases annually by 2% per year.

Undeveloped property pays special taxes in an amount equal to the difference between what is due each year to pay the bonds and assigned special tax revenues collected from developed property. The amount due each year to pay the bonds is referred to as the special tax requirement in the RMA.

#### *Special Tax Requirement & Impacts on Special Tax Rates*

The special tax requirement will be less as a result of the refunding. Initially, the reduction will be applied to the undeveloped property special taxes as these properties are not able to fully utilize the improvements and these parcels will be paying for a longer period than the developed property (developed property only pays for the lesser of thirty years or through the repayment of the bonds). Upon the completion of construction, the full amount of special taxes will not be required and the assigned special tax rates can be reduced.

*Final Year of Collection*

Pursuant to the RMA, special taxes shall not be levied on a parcel after the earlier of (i) the repayment or defeasance of the bonds or (ii) the thirtieth fiscal year in which such parcel was taxed as developed property. For example, if a property was classified as developed (i.e., a building permit was issued) after 2005, the final year that a special tax will be billed to the property is fiscal year 2034-2035, unless additional bonds are issued.