CASE STUDY: COLLETON COUNTY, SOUTH CAROLINA

COLLETON COUNTY
SOUTH CAROLINA

$29,700,000

Colleton County,
South Carolina

General Obligation
Bonds

Financial Advisor

BACKGROUND

- In May 2015, Raymond James served as financial advisor to Colleton County, South Carolina, and assisted with the structuring and competitive issuance of $29,700,000 of general obligation bonds.
- The bond proceeds are intended to fund a total of 13 projects, including beach renourishment, road and highway improvements, an airport terminal renovation, a law enforcement center, a solid waste transfer station, an auditorium renovation, water and sewer system improvements, a customer service center, and recreational facilities.

OBJECTIVE AND APPROACH

- Post issuance, the County consulted with Raymond James' Reinvestment Strategies team to discuss higher yielding investment options that would offer more competitive rates than money markets or investments with local banks and still meet the County's desire for liquidity and preservation of capital.
- The various options evaluated for the County's Construction Fund included laddered portfolios and repurchase agreements ("REPO"). Due to the disparity of the projects and their unique draw schedules, and the County's need for the flexibility to make multiple draws on a monthly basis ultimately led the County to invest the bond proceeds in a REPO.
- Subsequent to the decision by the County to invest the proceeds in a REPO, the Reinvestment Strategies team led a presentation to the County on the legal, technical and financial aspects of a REPO to ensure complete transparency and understanding as part of the usual disclosure process.
- To ensure that the County was able to receive the highest possible rate, the REPO bid process was run with providers having the ability to provide the highest fixed rate for two structures: 1) 100% fully flexible draws; and 2) minimum required balance equal to no less than 125% of project's expected monthly fully flexible draws.

SUCCESSFUL OUTCOME

- The Reinvestment Strategies team quarterbacked the entire process for the County, which resulted in four bids received.
- The County awarded the bid to the provider offering the highest fixed rate on the 100% fully flexible structure giving the County the highest earning potential with complete flexibility with respect to the draw schedule variances.
- The fixed rate of 1.11% for the life of the contract resulted in materially higher earnings than the County's lower yielding alternatives. Additionally, the winning provider's rate of 1.11% was 7.5 basis points higher than second place. The aggressive rate generated an incremental $40,000 of earnings and was driven in part by a level of comfort on the part of the winning provider in the County's draw schedule and the County's willingness to obligate itself under the minimum required balance structure.