



Legislation Text

File #: ID 17-0351, **Version:** 1

Order Authorizing the Sale and Issuance by the City of Greensboro, North Carolina of not to Exceed \$110,000,000 Combined Enterprise System Revenue Refunding Bonds, Series 2017A and Series 2017B and Authorizing the Execution and Delivery of Certain Documents in Connection Therewith

Department: Finance and Legal
Council District: All

Public Hearing: N/A
Advertising Date/By: N/A

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Contact 2 and Phone: Tom Carruthers, City Attorney, 373-2320

PURPOSE:

To approve the attached bond order authorizing the issuance and sale of up to \$110 million Combined Enterprise System (Water and Sewer) Revenue Bonds on or about July 26, 2017.

BACKGROUND:

On June 6, 2017, the City Council, by resolution, authorized the filing of an application with the N.C. Local Government Commission requesting approval of the issuance of up to \$110 million Combined Enterprise System (Water & Sewer) Revenue Bonds. The Commission is expected to approve the sale of the Series 2017 Bonds on July 11, 2017.

The proposed bond issue consists of (1) to refinance an approximately \$40 million short-term revenue bond anticipation note issued in 2016, that funded water and sewer projects, with long-term bonds; (2) to issue approximately \$30 million in bonds to fund additional water and sewer projects approved by City Council and that are currently under contract; and (3) to refinance \$29.6 million water and sewer revenue bonds issued in 2009 to a lower interest rate.

Based on current market conditions the City projects selling the Series 2017A revenue bonds of approximately \$70 million on or about July 26, 2017 with an average fixed interest cost of 3.5% or less over their 30-year term. It also projects selling the Series 2017B revenue refunding bonds (refinancing \$29.6 million bonds issued in 2009) with an average fixed interest cost of 2.25% or less over their remaining 14-year term. The outstanding 2009 bonds have an average interest rate of 4.75% and refinancing the interest rate to 2.25% will result in an estimated savings of \$4.9 million (\$393,000 per year over the remaining 14-year term of the bonds).

The bonds issued in 2009 financed green projects that have been deemed to serve an environmental benefit within the Green Bond Principles. This refinancing portion will be designated as "Green Bonds" to allow investors to invest directly in bonds which finance or refinance environmentally-sustainable projects.

The revenue bonds will be issued pursuant to a supplemental trust agreement with U.S. Bank (bond trustee) and a bond purchase agreement with Merrill Lynch, Pierce, Fenner & Smith, Incorporated (Bank of America) and co-underwriters Loop Capital Markets and Wells Fargo Bank.

BUDGET IMPACT:

Annual debt service on the approximately \$70 million in new revenue bonds will be paid from the Water Resources Fund budget, estimated at an average \$3.9 million annually over the next 30 years. The annual debt service will increase by approximately \$2.2 million in FY17-18 and by an additional \$1.7 million in FY18-19. The debt service on the \$29.6 million refinanced 2009 bonds of \$2.9 million annually is included in the current budget.

RECOMMENDATION / ACTION REQUESTED:

The Finance and Legal Departments recommend approval of the attached bond order authorizing the issuance and sale of up to \$110 million Series 2017A Combined Enterprise System Revenue Bonds and Series 2017B Combined Enterprise System Revenue Refunding Bonds.