



Legislation Text

File #: ID 20-0315, **Version:** 1

Order Authorizing The Sale And Issuance By The City Of Greensboro, North Carolina Of Not To Exceed \$156,000,000 Combined Enterprise System Revenue Bonds, Series 2020A And Taxable Combined Enterprise System Revenue Bonds, Series 2020B And Authorizing The Execution And Delivery Of Certain Documents In Connection Therewith

Council Priority: Maintain Infrastructure and Provide Sustainable Growth Opportunities

Department: Water Resources
Council District: All

Public Hearing: n/a
Advertising Date/By: n/a

Contact 1 and Phone: Richard Lusk, Finance Director 373-2077
Contact 2 and Phone: Charles Watts, City Attorney, 373-2320

PURPOSE:

To approve the attached bond order authorizing the issuance and sale of up to \$156 million Combined Enterprise System (water and sewer) Revenue Bonds on or about June 4, 2020 to (1) refinance an \$85 million short-term variable rate bond anticipation note issued in 2018, converting it to long-term bonds, (2) refinance \$60.665 million variable rate bonds issued in 2014, converting them to fixed rate bonds, and (3) refinance \$8.405 million fixed rate bonds issued in 2012. Issuance of the Bonds requires City Council and Local Government Commission (LGC) approval of the attached bond order on May 5, 2020.

BACKGROUND:

On May 15, 2018, City Council authorized establishment of the Water Resources Bond Fund (Series 2018) for the purpose of issuing an \$85 million bond anticipation note under an interest-only construction draw program, with the short-term note to be redeemed by May 2021. The note funded improvements to the City's Water and Wastewater Systems including upgrades to the Osborne Wastewater Treatment Plant to meet regulations regarding biologic nutrient removal (\$64 million), the Young's Mill Road outfall (\$15 million) and Mitchell Water Plant improvements (\$6 million).

On March 31, 2020, City Council approved filing an application with the LGC to refinance up to \$156 million Combined Enterprise System (water and sewer) Revenue Bonds. Following LGC and City Council approvals of the attached bond order on May 5, 2020, the bonds will be sold on or about June 4, 2020.

The new \$85 million revenue bonds are expected to have an average fixed interest cost of 3.0% or less over their 30-year term. The remaining \$69 million bonds are being refinanced to lower interest rates and are expected to have an average fixed interest cost of 2.0% or less over their remaining 14-year term, with the refunded 2014 bonds issued tax-exempt and the refunded 2012 bonds issued on a taxable basis. The revenue

bonds will be issued pursuant to a supplemental trust agreement with U.S. Bank (bond trustee) and a bond purchase agreement with PNC Bank, Merrill Lynch, Pierce, Fenner & Smith Incorporated (Bank of America) and Loop Capital Markets LLC.

On or after June 2, 2020, the City Council will be asked to authorize additional related upgrades funded through the issuance of a revenue bond anticipation note of up to \$50.0 million, to complete the Osborne Plant improvements and fund additional water and wastewater capital projects scheduled between 2020 and 2023.

BUDGET IMPACT:

Debt service on the \$156 million revenue bonds will be paid from the Water Resources Fund budget. Annual debt service on the new \$85 million long-term bonds is projected at \$4.25 million over the next 30 years. Interest expense is projected to be reduced by \$1 million over the remaining 14-year term of the \$69 million in 2012 and 2014 bonds being refinanced.

RECOMMENDATION / ACTION REQUESTED:

The Finance and Legal Departments recommend City Council approval of the attached bond order providing for the sale and issuance of up to \$156 million Combined Enterprise System Revenue Bonds, Series 2020A and Taxable Combined Enterprise System Revenue Bonds, Series 2020B, to refinance bonds and notes issued in 2012, 2014 and 2018.