

A RESOLUTION SUPPORTING AN APPLICATION TO THE LOCAL GOVERNMENT COMMISSION FOR ITS APPROVAL OF A TOWN FINANCING AGREEMENT – 2021 PARKING DECK FINANCING, BLUE HILL ROAD IMPROVEMENTS, AND REFINANCING OF EXISTING LOANS (2021-06-02/R-1)

Introduction --

The Town Council (the "Council") of the Town of Chapel Hill (the "Town") has previously determined to carry out a project to acquire, construct and equip a new East Rosemary Street parking deck and Blue Hill District road improvements. The Council has also made a preliminary determination to finance this project through an installment financing, as authorized under Section 160A-20 of the North Carolina General Statutes. In an installment financing, the Town's repayment obligation is secured by a mortgage-type interest in all or part of the property being financed, but not by any pledge of the Town's taxing power or any specific revenue stream.

The Town Council has also been advised that it may be possible to refinance the Town's 2012 Limited Obligation Bonds and existing Hargraves Center improvements debt with a new installment financing, and thereby provide savings to the Town.

North Carolina law requires that the Town's financing be approved by the North Carolina Local Government Commission (the "LGC"), a division of the North Carolina State Treasurer's office. Under the LGC's guidelines, this governing body must make certain findings of fact to support the Town's application for the LGC's approval of the Town's financing arrangements.

1. THEREFORE, BE IT RESOLVED by the Town Council of the Town of Chapel Hill, as follows:

(a) The Town makes a preliminary determination to finance up to \$39,000,000 to pay for the acquisition and construction of the new Town parking deck on East Rosemary Street, as well as \$6,500,000 for the Blue Hill road improvements, and related financing costs.

(b) In addition, the Town makes a preliminary determination to finance an amount estimated as up to approximately \$12,000,000 to refinance existing loans. The amount for refinancing may be reduced depending on which Town loans can be efficiently refinanced and will include amounts for financing costs.

(c) The Council will determine the final amount to be financed by a later resolution. The final amount financed may be slightly lower or slightly higher than as described above. Some of the financing proceeds may represent reimbursement to the Town for prior expenditures on project costs, and some proceeds may be used to pay financing expenses or to provide any appropriate reserves.

2. The Council makes the following findings of fact in support of the Town's application to the LGC:

(a) The proposed projects are necessary and appropriate for the Town under all the circumstances. The parking deck is a discrete facility and is therefore particularly suitable for installment financing. The refinancings are already installment financings and therefore are appropriate to use the same debt structure. Adding the Blue Hill road improvements project is more efficient and economical compared to financing the project independently.

(b) The proposed installment financing is preferable to a bond issue for the same purposes.

The Town has no meaningful ability to issue non-voted general obligation bonds for this project. These projects as a group will not produce sufficient revenues to support a self-liquidating financing. The Town expects that in the current interest rate environment for municipal securities there would be no material difference in the overall financing costs between general obligation bonds and installment financings for this project.

(c) The estimated sums to fall due under the proposed financing contract are adequate and not excessive for the proposed purpose. The Town will closely review proposed financing rates against market rates with guidance from the LGC and the Town's financial adviser. All amounts financed will reflect either approved contracts, previous actual expenditures, or professional estimates.

(d) As confirmed by the Town's Finance Officer, (i) the Town's debt management procedures and policies are sound and in compliance with current law, and (ii) the Town is not in default under any of its debt service obligations.

(e) The Town estimates that there will be no actual increase in the tax rate required for these projects. Funds from the parking enterprise and funds previously allocated to Town debt service should be sufficient for payments on this financing. Given the Town's need for the project, the Council believes that the effect on the Town's budget and the tax rate impact will be reasonable under all the circumstances. The Council will work to minimize the tax rate impact of the borrowing in a manner consistent with moving forward with the project and addressing the full range of Town needs. Because of the savings to be realized through the refinancing, that portion of the transaction will have a beneficial equivalent tax rate impact for the Town.

(f) The Town Attorney is of the opinion that the proposed projects are authorized by law and is a purpose for which public funds of the Town may be expended pursuant to the Constitution and laws of North Carolina.

3. ADDITIONALLY, THE COUNCIL RESOLVES as follows:

(a) The Town intends that the adoption of this resolution will be a declaration of the Town's official intent to reimburse project expenditures from financing proceeds. The Town intends that funds that have been advanced for project costs, or which may be so advanced, from the Town's general fund, debt service fund, or any other Town fund, may be reimbursed from the financing proceeds.

(b) The Council will hold a public hearing on this matter. The Council directs the Town Manager to set the date and time of the hearing, and directs the Town Clerk to provide

for publishing a notice of the hearing in the manner provided for by law. The Council expects a hearing on June 9.

(c) The Council directs the Town Manager and the Finance Officer to take all appropriate steps toward the completion of the financing, including completing an application to the LGC for its approval of the proposed financing.

(d) The Council ratifies all prior actions of Town representatives relating to the activities set out in this Section 3. This resolution takes effect immediately.

This the 2nd day of June, 2021.