



TOWN OF CHAPEL HILL

Town Hall
405 Martin Luther King Jr.
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Chapel Hill, NC 27514

Legislation Details (With Text)

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On agenda:	9/25/2019	Final action:			
Title:	Adopt Resolutions Related to Proposed Refunding of Outstanding Build America Bonds (BABs).				
Sponsors:					
Indexes:					
Code sections:					
Attachments:	1. Bond Order Publication Notice, 2. A RESOLUTION SUPPORTING AN APPLICATION TO THE LOCAL GOVERNMENT COMMISSION FOR ITS APPROVAL OF REFUNDING BONDS IN AN ESTIMATED AMOUNT OF UP TO \$12,500,000 (2019-09-25/R-6), 3. A BOND ORDER AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION REFUNDING BONDS IN THE MAXIMUM AMOUNT OF \$12,500,000 TO REFUND EXISTING TOWN BONDS (2019-09-25/R-7), 4. A RESOLUTION REGARDING PUBLICATION OF BOND ORDER (2019-09-25/R-8)				

Date	Ver.	Action By	Action	Result
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Adopt Resolutions Related to Proposed Refunding of Outstanding Build America Bonds (BABs).

Staff:

Maurice Jones, Town Manager
Amy Oland, Director

Department:

Manager's Office
Business Management

Overview: The Business Management Department is currently pursuing refunding the outstanding balance on the Town's Taxable General Obligation Public Improvement Bonds originally issued in October 2010. The attached resolutions would provide preliminary approval for the issuance of refunding bonds, adopt the bond order and provide for the publication of the bond order.

**Recommendation(s):**

- That the Council adopt the Preliminary Resolution Supporting an Application to the Local Government Commission for its Approval of Refunding Bonds in an estimated amount of up to \$12,500,000. The resolution authorizes the Town Manager, Finance Officer and other Town representatives to take steps necessary to proceed with the refunding of the 2010 Bonds. The actual sale of the bonds is subject to further Council approval; and
- That the Council adopt the Bond Order for General Obligation Bonds, which is the basic authorizing document for refunding bonds that North Carolina General Statutes require; and
- That the Council adopt the Resolution Providing for the Publication of the Bond Order.

Key Issues:

A recent drop in tax-exempt municipal bond rates has resulted in opportunities for the Town, through refunding, to save money on its annual debt service by reducing the net interest cost of debt. Based on the analysis performed by the Town's financial advisors, Davenport & Company, there is currently an opportunity to refund the outstanding balance on the Town's Taxable General Obligation Public Improvement Bonds that will provide a net present value savings of approximately \$689,031 over the

remaining life of the bonds.

Due to volatility in the interest rate markets the projected savings may change prior to execution. If there are extreme changes in interest rates, it is possible that a portion of or all of the refunding will not be viable. If this occurs, we will execute only that portion of the refunding that produces savings or we will delay the sale until conditions improve.

The expected sale date for the refunding bond issue will be in November 2019. The Local Government Commission (LGC) will sell the bonds using a competitive process with all bids being received in the State Treasurer's Office. The refunding bonds will be outstanding for various periods and with debt service payments in May and November with the first payment to be made in April 2020.

Based on current market rates the proposed refunding details are as follows:

- Bonds to be refunded: G.O. Series 2010
- Remaining debt service on refunded bonds \$ 13,406,343
- Debt service on refunding bonds 12,652,883
- Savings \$ 753,460
- Net Present Value of Savings \$ **689,031**
- Percent Savings of Refunded Bonds **6.78%**

The Business Management Department will file an application for approval of the Bonds with the LGC, retain Sanford Holshouser LLP as Bond Counsel and Davenport & Company as Financial Advisor, and request the LGC to approve the financing team.

Fiscal Impact/Resources:

The following table shows the expected savings by fiscal year that would be generated by the proposed refunding. This schedule is based on an estimated true interest cost rate of 1.80% for the refunding bonds. Please note that the actual interest rate will not be known until the sale date of the bonds. At that time, we will report back to Council concerning the actual results of this sale.

Fiscal Year	Savings
2019-20	\$ (16,83
2020-21	68,27
2021-22	67,92
2022-23	71,95
2023-24	70,80
2024-25	69,53
2025-26	68,51
2026-27	72,55
2027-28	71,40
2028-29	69,64
2029-30	67,94
2030-31	71,73
Total Savings	\$ 753,46
NPV @ 1.80%	\$ 689.03



Attachments:

- Resolution Supporting Application to LGC for Approval of Bonds
- Resolution to Adopt Bond Order
- Resolution Regarding Publication of Bond Order
- Bond Order Publication Notice

A RESOLUTION SUPPORTING AN APPLICATION TO THE LOCAL GOVERNMENT COMMISSION FOR ITS APPROVAL OF REFUNDING BONDS IN AN ESTIMATED AMOUNT OF UP TO \$12,500,000 (2019-09-25/R-6)

WHEREAS, The Town of Chapel Hill has determined that the Town can save money by refunding some of the Town's outstanding debt, and in particular refunding the outstanding balance of the Town's Taxable General Obligation Public Improvement Bonds originally issued in October 2010; and

WHEREAS, North Carolina law requires that the Town's issuance of the refunding bonds be approved by the North Carolina Local Government Commission (the "LGC"), a division of the North Carolina State Treasurer's office.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Chapel Hill, North Carolina, that the Town makes a preliminary determination to refinance the outstanding bonds described above by issuing up to \$12,500,000 of general obligation refunding bonds, and that the Town requests that the LGC approve the issuance of the refunding bonds.

BE IT FURTHER RESOLVED as follows:

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(a) The Council directs the Town Manager, the Finance Officer and all other Town representatives to take all appropriate steps toward the completion of the financing, including completing an application to the LGC for its approval of the refunding bonds. The final issuance of the bonds in any event is subject to the LGC's approval and this Council's subsequent approval.

(b) The Council directs all Town officers and employees to take all such further action as they may consider appropriate in furtherance of the purposes of this resolution. The Council ratifies all prior actions taken toward accomplishing these purposes.

(c) This resolution takes effect immediately.

This the 25th day of September, 2019.

A BOND ORDER AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION REFUNDING BONDS IN THE MAXIMUM AMOUNT OF \$12,500,000 TO REFUND EXISTING TOWN BONDS (2019-09-25/R-7)

WHEREAS, The Town of Chapel Hill has determined that refinancing a portion of the Town's outstanding general obligation bonds could provide savings to the Town. The Town has applied to the North Carolina Local Government Commission for its approval of the issuance of Town bonds to carry out the refinancing, and the LGC has accepted the Town's application.

NOW, THEREFORE, BE IT ORDERED by the Town Council of the Town of Chapel Hill, North Carolina, as follows:

1. There are hereby ordered to be issued general obligation refunding bonds of the Town to provide for the refinancing of a portion of the Town's outstanding general obligation bonds, including the payment of related financing costs. In particular, the bonds to be refunded may include all or any portion of the Town's Taxable General Obligation Public Improvement Bonds originally issued in October 2010.
2. The maximum aggregate principal amount of the bonds issued for such purpose will be \$12,500,000.
3. Taxes will be levied in an amount sufficient to pay the principal of and interest on the bonds so issued.
4. A sworn statement of debt prepared by the Town's Finance Officer has been filed with the Town Clerk and is available for public inspection.
5. This Bond Order takes effect immediately.

This the 25th day of September 2019.

A RESOLUTION REGARDING PUBLICATION OF BOND ORDER (2019-09-25/R-8)

WHEREAS, there has been adopted at this meeting a bond order entitled as follows:

"A BOND ORDER AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION REFUNDING BONDS IN THE MAXIMUM AMOUNT OF \$12,500,000 TO REFUND EXISTING TOWN BONDS"; and

WHEREAS, the North Carolina General Statutes require the publication of a notice to complete the process of authorizing the bonds.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill, North Carolina, that the Town Clerk is directed to publish a notice of the adoption of such Bond Order, in the form provided for in Section 159-58 of the General Statutes, one time in a newspaper having general circulation in the Town.

This the 25th day of September, 2019.

The Agenda will reflect the text below and/or the motion text will be used during the meeting.

By adopting the resolutions, the Council supports the filing of an application to the Local Government Commission for its approval of refunding bonds in an estimated amount of \$12,500,000, adopts the bond order, and provides for the publication of the bond order.