

CITY OF HIGH POINT

AGENDA ITEM



Title: Authorize Issuance of Series 2016 Combined Enterprise System Revenue Refunding Bonds

From: Jeffrey A Moore, Financial Services Director

Meeting Date: September 6, 2016

Public Hearing: No

Advertising Date /

Advertised By: N/A

Attachments: Form of Proceedings

PURPOSE:

The Financial Services Department recommends that the City Council take the first steps to authorize the issuance of up to \$64,000,000 Series 2016 Combined Enterprise System Revenue Refunding Bonds. Actions requested include authorizing the application for the issuance of refunding bonds at a not-to-exceed amount of \$64,000,000.

BACKGROUND:

Staff and our Financial Consultants have identified that the bond market is currently favorable for refunding some of the City's outstanding Series 2006 and 2008 revenue bonds. The proposed resolutions, prepared by the City's bond attorneys, provide staff the authorization to issue up to \$64,000,000 for refunding these bonds, depending on the bond market on the date of sale scheduled October 20, 2016. Staff will not pursue refunding bonds for any bonds that do not provide for at least 3% savings. At the time of this writing, estimated savings are in excess of \$600,000 annually for the next 15 years which approximates 15.5%. Final maturity dates will remain the same.

The LGC staff will recommend the refunding authorization to the full Local Government Commission for its approval at their October 4, 2016 meeting.

These are necessary legal proceedings for the issuance of refunding bonds.

BUDGET IMPACT:

The interest rate refunding savings will be built into the debt service budgets for the Water & Sewer Fund in the 2017-2018 Annual Budget and successive years.

RECOMMENDATION / ACTIONS REQUESTED:

City Council is requested to approve the attached "Resolution Making Certain Findings and Determinations Authorizing the Filing of an Application with the Local Government Commission, Requesting the Local Government Commission to Sell Bonds at a Private Sale, Approving the Financing Team and Authorizing the Distribution of a Preliminary Official Statement in Connection With the Issuance of Revenue Refunding Bonds By the City of High Point."

The City Council of the City of High Point, North Carolina held a regular meeting in the Council Chambers of the Municipal Building located at 211 South Hamilton Street in High Point, North Carolina, the regular place of meeting, at 5:30 p.m. on September 6, 2016.

Present: Mayor William “Bill” Bencini, presiding, and Council Members

Absent: Council Members

Also Present: _____

* * * * *

_____ introduced the following resolution the title of which was read and copies of which had been previously distributed to each Council Member:

RESOLUTION MAKING CERTAIN FINDINGS AND DETERMINATIONS, AUTHORIZING THE FILING OF AN APPLICATION WITH THE LOCAL GOVERNMENT COMMISSION, REQUESTING THE LOCAL GOVERNMENT COMMISSION TO SELL BONDS AT A PRIVATE SALE AND APPROVING THE FINANCING TEAM IN CONNECTION WITH THE SALE AND ISSUANCE OF REVENUE REFUNDING BONDS BY THE CITY

BE IT RESOLVED by the City Council (the “City Council”) of the City of High Point, North Carolina (the “City”):

Section 1. The City Council does hereby find and determine as follows:

(a) The City currently operates a water system and sanitary sewer system, both of which provide service to the residents of the City and its environs.

(b) Pursuant to a Trust Agreement, dated as of November 1, 2004 (the “Trust Agreement”), between the City and Wachovia Bank, National Association (succeeded by U.S. Bank National Association), as trustee (the “Trustee”), the City created a combined enterprise

system (the “Combined Enterprise System”), consisting of the City’s water system and sanitary sewer system. The Trust Agreement provides for the issuance of revenue bonds thereunder secured by the net receipts of the Combined Enterprise System as set forth therein, to finance improvements to the Combined Enterprise System and to refund all or a portion of any bonds issued under the Trust Agreement.

(c) Pursuant to the Trust Agreement and a Second Supplemental Trust Agreement, dated as of June 1, 2006, between the City and the Trustee, the City has heretofore issued its \$31,380,000 Combined Enterprise System Revenue Bonds, Series 2006 (the “Series 2006 Bonds”), \$24,185,000 of which are currently outstanding.

(d) Pursuant to the Trust Agreement and a Third Supplemental Trust Agreement, dated as of June 1, 2008, between the City and the Trustee, the City has heretofore issued its \$41,745,000 Combined Enterprise System Revenue Bonds, Series 2008 (the “Series 2008 Bonds”), \$36,865,000 of which are currently outstanding.

(e) The City may be able to realize significant debt service savings through the refunding of all or a portion of the outstanding Series 2006 Bonds and Series 2008 Bonds.

(f) The City wishes to commence procedures at this time for the issuance of its Combined Enterprise System Revenue Refunding Bonds, Series 2016 (the “Series 2016 Bonds”) for the purpose of providing funds, together with any other available funds, to (i) refund all or a portion of the outstanding Series 2006 Bonds and Series 2008 Bonds and (ii) pay the fees and expenses incurred in connection with the sale and issuance the Series 2016 Bonds.

(g) The amount of the proposed Series 2016 Bonds will be sufficient, but not excessive, for the purpose of paying the costs associated with the proposed refunding.

(h) The annual audits of the City show the City to be in strict compliance with debt management policies, and the budgetary and fiscal management policies of the City are in compliance with law.

(i) The proposed Series 2016 Bonds can be marketed at a reasonable interest cost to the City.

(j) No projected rate increases for water and sanitary sewer service are expected in connection with the issuance of the proposed Series 2016 Bonds.

(k) The net present value debt service savings to be realized by such refunding are expected to exceed 10% of the par amount of the refunded bonds.

Section 2. The City Manager, the Financial Services Director and the City Attorney of the City are hereby authorized and directed to file an application with the Local Government Commission for approval of the issuance of the Series 2016 Bonds in an aggregate principal amount not to exceed \$64,000,000 for the purpose of providing funds, together with any other available funds, to (a) refund all or a portion of the outstanding Series 2006 Bonds and Series 2008 Bonds and (b) pay the fees and expenses incurred in connection with the sale and issuance of the Series 2016 Bonds. Any such action heretofore taken in connection with the filing of such application is hereby ratified and approved.

Section 3. The Local Government Commission is hereby requested to sell the proposed Series 2016 Bonds at a private sale without advertisement.

Section 4. The following financing team members are hereby approved by the City in connection with the proposed Series 2016 Bonds:

Bond Counsel: Womble Carlyle Sandridge & Rice, LLP

Underwriters: Wells Fargo Bank, National Association
Robert W. Baird & Co.
FTN Financial Capital Markets

Underwriters' Counsel: Pillsbury Winthrop Shaw Pittman LLP

Trustee/Bond Registrar/
Escrow Agent: U.S. Bank National Association

Financial Advisor: Davenport & Company LLC

Verification Agent: Bingham Arbitrage Rebate Services, Inc.

Section 5. This resolution shall take effect immediately upon its passage.

Upon motion of Council Member _____, seconded by Council Member _____, the foregoing resolution entitled "RESOLUTION MAKING CERTAIN FINDINGS AND DETERMINATIONS, AUTHORIZING THE FILING OF AN APPLICATION WITH THE LOCAL GOVERNMENT COMMISSION, REQUESTING THE LOCAL GOVERNMENT COMMISSION TO SELL BONDS AT A PRIVATE SALE AND APPROVING THE FINANCING TEAM IN CONNECTION WITH THE SALE AND ISSUANCE OF REVENUE REFUNDING BONDS BY THE CITY" was passed by the following vote:

Ayes: _____

Noes: _____

* * * * *

I, Lisa B. Vierling, City Clerk of the City of High Point, North Carolina, DO HEREBY CERTIFY that the foregoing is a true and accurate copy of so much of the proceedings of the City Council of said City at a regular meeting held on September 6, 2016, as relates in any way to the adoption of the foregoing resolution and that said proceedings are recorded in minute books of said City Council.

I DO HEREBY FURTHER CERTIFY that proper notice of such regular meeting was given as required by North Carolina law.

WITNESS my hand and the official seal of said City this 6th day of September, 2016.

City Clerk

[SEAL]