

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:** October 3, 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 final steps to authorize the issuance of up to \$64,000,000 Series 2016 Combined Enterprise System Revenue Refunding Bonds.

BACKGROUND:

Staff have identified that the bond market is currently favorable for refunding some of the City's outstanding Series 2006 and 2008 revenue bonds. City Council approved a preliminary resolution at its September 6, 2016 meeting authorizing the application and issuance to the LGC. The proposed resolution, 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 remain 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 "Order Authorizing the Sale and Issuance by the City of High Point, North Carolina of Not to Exceed \$64,000,000 Combined Enterprise System Revenue Refunding Bonds, Series 2016 and Authorizing the Execution and Delivery of Certain Documents in Connection Therewith."

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 October 3, 2016.

Present: Mayor William "Bill" Bencini, presiding, and Council Members

Absent: Council Members

Also Present: _____

* * * * *

_____ introduced the following order the title of which was read and a copy of which had been previously distributed to each Council Member:

ORDER AUTHORIZING THE SALE AND ISSUANCE BY THE CITY OF HIGH POINT, NORTH CAROLINA OF NOT TO EXCEED \$64,000,000 COMBINED ENTERPRISE SYSTEM REVENUE REFUNDING BONDS, SERIES 2016 AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH

BE IT ORDERED by 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 has heretofore entered into a Trust Agreement, dated as of November 1, 2004 (the "Trust Agreement"), with Wachovia Bank, National Association (succeeded by U.S. Bank National Association), as trustee (the "Trustee"), authorizing the issuance of revenue bonds thereunder for the purpose of financing and refinancing the cost of improvements to the City's Combined Enterprise System created thereunder.

(b) Pursuant to the Trust Agreement and a Second Supplemental Trust Agreement, dated as of June 1, 2006 (the "Second Supplemental Trust Agreement"), 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.

(c) Pursuant to the Trust Agreement and a Third Supplemental Trust Agreement, dated as of June 1, 2008 (the "Third Supplemental Trust Agreement"), 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.

(d) At a meeting held on September 6, 2016, the City Council authorized the filing of an application with the North Carolina Local Government Commission (the "Commission") requesting approval of the issuance of not to exceed \$64,000,000 Combined Enterprise System Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds") of the City 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 of the Series 2016 Bonds.

(e) The City, by resolution, also requested the Commission to sell the Series 2016 Bonds at private sale without advertisement.

(f) The Commission is expected to approve the application of the City at its October 4, 2016 meeting for the issuance of the Series 2016 Bonds in an aggregate principal amount not to exceed \$64,000,000 in accordance with G.S. 159-86.

(g) The City has determined to issue 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 (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 of the Series 2016 Bonds

(h) The City proposes to sell the Series 2016 Bonds to Wells Fargo Bank, National Association, Robert W. Baird & Co. and FTN Financial Capital Markets (the "Underwriters"), pursuant to the provisions of a Bond Purchase Agreement (hereinafter defined), at such prices determined by the Commission, subject to the approval thereof by the City.

(i) There have been presented to the City Council at this meeting forms of the following documents relating to the sale and issuance of the Series 2016 Bonds:

(1) Seventh Supplemental Trust Agreement, to be dated as of November 1, 2016 (the "Seventh Supplemental Trust Agreement"), between the City and the Trustee;

(2) Escrow Deposit Agreement, to be dated as of November 1, 2016 (the "Escrow Agreement"), between the City and U.S. Bank National Association, as escrow agent, relating to the refunding of all or a portion of the outstanding Series 2008 Bonds;

(3) Bond Purchase Agreement, to be dated as of the date of delivery thereof (the "Bond Purchase Agreement"), among the Underwriters, the Commission and the City; and

(4) Preliminary Official Statement, to be dated as of the date of delivery thereof (the "Preliminary Official Statement"), relating to the offering and sale of the Series 2016 Bonds; and

(j) The City has determined that the sale and issuance of the Series 2016 Bonds in the manner provided in this order is in the best interests of the City.

Section 2. Capitalized words and terms used in this order and not defined herein shall have the same meanings given such words and terms in the Trust Agreement and the Seventh Supplemental Trust Agreement.

Section 3. Pursuant to the provisions of The State and Local Government Revenue Bond Act, as amended (the "Act"), particularly G.S. 159-88, the City hereby authorizes the issuance of the Series 2016 Bonds in an aggregate principal amount not to exceed \$64,000,000 for the purposes set forth in Section 1(g) of this order. The exact amount of Series 2016 Bonds to be issued shall be determined by the Financial Services Director of the City at the time the Series 2016 Bonds are sold and shall be an amount sufficient, together with any other available funds of the City, 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. The Series 2016 Bonds shall mature at such times and in such amounts as shall be set forth in the Seventh Supplemental Trust Agreement, subject to the provisions of this order.

The Series 2016 Bonds shall be issued as fully registered bonds in denominations of \$5,000 or any whole multiple thereof and shall be subject to provisions of the book-entry only system for registration of the Series 2016 Bonds as set forth in the Seventh Supplemental Trust Agreement. Interest on the Series 2016 Bonds shall be payable on May 1 and November 1 of each year, beginning May 1, 2017, until the payment in full of the principal thereof. The final maturity of the Series 2016 Bonds shall not be later than November 1, 2033.

Section 4. The Series 2016 Bonds may be subject to redemption prior to their respective maturities if and to the extent so provided in the Seventh Supplemental Trust Agreement.

Section 5. The proceeds of the Series 2016 Bonds shall be applied as provided in Section 204 of the Seventh Supplemental Trust Agreement.

Section 6. The Series 2016 Bonds, together with any other obligations secured on a parity therewith pursuant to the provisions of the Trust Agreement, shall be secured on a parity basis by a pledge, charge and lien upon the Net Receipts and the money and Investment Obligations held in the accounts and subaccounts of the Bond Fund in the manner and to the extent provided in the Trust Agreement and the Seventh Supplemental Trust Agreement.

Section 7. The proposal set forth in the Bond Purchase Agreement submitted by the Underwriters offering to purchase the Series 2016 Bonds at the aggregate purchase price and bearing interest at the rates determined by the Commission and approved by the City as hereinafter provided, such purchase price not to be less than 95% of the aggregate principal amount of the Series 2016 Bonds and such interest rates not to result in an aggregate true interest cost in excess of 4.00%, is hereby approved. The Commission is hereby requested to sell and award the Series 2016 Bonds to the Underwriters on behalf of the City, subject to the approval of the City, in accordance with the terms and provisions set forth in the Bond Purchase Agreement. The Mayor, the City Manager and the Financial Services Director of the City are each hereby designated to approve on behalf of the City the sale of the Series 2016 Bonds to the Underwriters at such interest rates, for such purchase price and upon such terms and conditions as the Mayor, the City Manager or Financial Services Director shall determine, subject to the provisions of this order. The Mayor, the City Manager and the Financial Services Director of the City are each

hereby authorized and directed in the name and on behalf of the City to execute and deliver the Bond Purchase Agreement in substantially the form presented, together with such modifications as the Mayor, the City Manager or the Financial Services Director, with the advice of counsel, may deem necessary and appropriate, such execution and delivery to be conclusive evidence of the approval and authorization in all respects of the form and content thereof.

Section 8. The form, terms and provisions of the Seventh Supplemental Trust Agreement and the Escrow Agreement are hereby approved, and the Mayor or the City Manager and the City Clerk or any assistant or deputy City Clerk are hereby authorized and directed to execute the Seventh Supplemental Trust Agreement and the Escrow Agreement in substantially the forms presented, together with such modifications as the Mayor or the City Manager, with the advice of counsel, may deem necessary and appropriate, including, without limitation, modifications necessary to incorporate the final terms of the Series 2016 Bonds as set forth in the Bond Purchase Agreement, such execution and delivery to be conclusive evidence of the approval and authorization in all respects of the form and content thereof.

Section 9. The Preliminary Official Statement relating to the offering for sale of the Series 2016 Bonds is hereby approved. The distribution of the Preliminary Official Statement in connection with the offering for sale of the Series 2016 Bonds by the Underwriters is hereby authorized and approved. The City authorizes and consents to the preparation and distribution of a final Official Statement, in substantially the form of the Preliminary Official Statement, together with such changes as are necessary to reflect the final terms of the Series 2016 Bonds. The Mayor, the City Manager and the Financial Services Director are each hereby authorized and directed to execute and deliver the final Official Statement, in substantially the form of the Preliminary Official Statement, together with such modifications as such officer, with the advice of counsel, may deem necessary and appropriate, such execution and delivery to be conclusive evidence of the approval and authorization in all respects of the form and content thereof.

Section 10. U.S. Bank National Association, Charlotte, North Carolina, is hereby appointed as escrow agent (the "Escrow Agent") in connection with the refunding of all or a portion of the outstanding Series 2008 Bonds, subject to the right of the City to appoint another Escrow Agent as provided in the Escrow Agreement, and as such shall perform its responsibilities as provided in the Escrow Agreement.

The City Manager and the Financial Services Director are each hereby authorized to determine on the date of sale of the Series 2016 Bonds whether it is in the best economic interests of the City to refund or not to refund all or any portion of the outstanding Series 2006 Bonds and Series 2008 Bonds, and which maturities of the outstanding Series 2016 Bonds and Series 2008 Bonds are to be so refunded, so long as such refunding will result in aggregate net present value debt service savings that equals or exceeds 5.00% of the refunded Series 2006 Bonds and Series 2008 Bonds.

Subject to the issuance of the Series 2016 Bonds, the City Council hereby directs that the Series 2006 Bonds refunded by the Series 2016 Bonds be called for optional redemption on November 9, 2016, in the manner set forth in the Trust Agreement and the Second Supplemental Trust Agreement. Subject to the issuance of the Series 2016 Bonds, the City Council hereby directs that the Series 2008 Bonds refunded by the Series 2016 Bonds be called for optional

redemption on November 1, 2018, in the manner set forth in the Escrow Agreement, the Trust Agreement and the Third Supplemental Trust Agreement.

Section 11. The Mayor, the City Manager, the Financial Services Director, the City Clerk and the City Attorney, or any of them or their deputies, are each hereby authorized and directed (without limitation except as may be expressly set forth in this order) to take such action and to execute and deliver such certificates, agreements, instruments, opinions or other documents as they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by this order, the Trust Agreement, the Seventh Supplemental Trust Agreement, the Escrow Agreement and the Bond Purchase Agreement. Any such actions heretofore taken by such persons to the extent not inconsistent with the provisions of this resolution are hereby ratified, authorized and approved.

The officers of the City and the agents and employees of the City are hereby authorized and directed to do all acts and things required of them by the provisions of this order, the Series 2016 Bonds, the Trust Agreement, the Seventh Supplemental Trust Agreement, the Escrow Agreement or the Bond Purchase Agreement for the full, punctual and complete performance of the terms, covenants, provisions and agreements of the same.

Section 12. The sale and issuance of the Series 2016 Bonds are hereby approved subject to the terms and conditions set forth in this order.

Section 13. This order shall take effect immediately upon its passage; provided, however, that the provisions of Section 10 hereof relating to the calling for redemption of the outstanding Series 2006 Bonds and Series 2008 Bonds being refunded by the Series 2016 Bonds shall not become effective unless and until the Series 2016 Bonds are issued.

Upon motion of Council Member _____, seconded by Council Member _____, the foregoing order entitled "ORDER AUTHORIZING THE SALE AND ISSUANCE BY THE CITY OF HIGH POINT, NORTH CAROLINA OF NOT TO EXCEED \$64,000,000 COMBINED ENTERPRISE SYSTEM REVENUE REFUNDING BONDS, SERIES 2016 AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH" was adopted by the following vote:

Ayes: Council Members

Noes: Council Members

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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 October 3, 2016, as relates in any way to the adoption of the foregoing order authorizing the sale and issuance of revenue refunding bonds of said City and that said proceedings are recorded in minute books of said City Council.

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

WITNESS my hand and the official seal of said City this 3rd day of October, 2016.

City Clerk

[SEAL]