

CITY OF HIGH POINT

AGENDA ITEM



Title: Final Authorization-Issuance of Series 2019 Combined Enterprise System Revenue Bonds

From: Bobby D. Fitzjohn, Financial Services Director
JoAnne Carlyle, City Attorney

Meeting Date: May 6, 2019

Public Hearing: No

Advertising Date / N/A

Advertised By: -

Attachments: Bond Order-High Point 2019 Rev.

PURPOSE:

To authorize the issuance and sale of up to \$54.5 million Combined Enterprise System (water and sewer) Revenue Bonds in June 2019 for the following purposes, (1) to issue approximately \$37 million in bonds to fund water and sewer projects approved by City Council and that have recently been completed or are currently under contract; and (3) to refinance \$17.5 million water and sewer revenue bonds issued in 2010 to a lower interest rate. The bonds will be issued subject to City Council authorizing application to the Local Government Commission to issue the bonds and their approval thereof.

BACKGROUND:

The proposed financing provides up to \$54.5 million for water and sewer projects and refunding the remaining balance of the Combined Enterprise System Revenue Bonds, Series 2010B. The projects identified for funding with this issuance include improvements at the Ward water treatment plant, Westside wastewater treatment plant, incinerator emission improvements, a force main upgrade at Riverdale pump station, as well as additional projects. Most of the identified projects are either complete or substantially underway. The Local Government Commission is expected to approve the sale at their May 7th Meeting.

The resolution provides for a refunding of all callable 2010B Bonds, both Recovery Zone Economic Development Bonds and Build America Bonds. This provides flexibility to maximize the potential refinancing should market conditions support the larger refinancing, but we are not required to refund all (or any) of the bonds should the savings not be sufficient.

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

BUDGET IMPACT:

The debt service on these bonds will be paid from Water and Sewer operations, offset by savings from the proposed refunding.

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 \$54,500,000 Combined Enterprise System Revenue Bonds, Series 2019 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 May 6, 2019.

Present: Mayor Jay W. Wagner, 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 \$54,500,000
COMBINED ENTERPRISE SYSTEM REVENUE BONDS, SERIES 2019
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, as supplemented and amended (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 Fourth Supplemental Trust Agreement, dated as of June 1, 2010 (the “Fourth Supplemental Trust Agreement”), between the City and the Trustee, the City has heretofore issued its \$20,475,000 Combined Enterprise System Revenue Bonds, Series 2010B (Taxable) (the “Series 2010B Bonds”), \$18,185,000 of which are currently outstanding.

(c) At a meeting held on April 1, 2019, 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 \$72,400,000 Combined Enterprise System

Revenue Bonds, Series 2019 (the “Series 2019 Bonds”) of the City for the purpose of providing funds, together with any other available funds, to (i) pay or reimburse the costs of acquiring, constructing and equipping various improvements to the City’s water and sanitary sewer systems, including, without limitation, (A) improvements to the City’s water treatment plant, (B) replacement of an elevated water storage tank, (C) improvements to the City’s wastewater treatment plant and (D) construction, improvement and replacement of various water and sanitary sewer mains and lines inside and outside the corporate limits of the City (collectively, the “Series 2019 Project”), (ii) refund all or a portion of the outstanding Series 2010B Bonds, (iii) pay a portion of the interest on the Series 2019 Bonds during construction of the Series 2019 Project, (iv) fund any necessary debt service reserve fund for the Series 2019 Bonds and (v) pay the fees and expenses incurred in connection with the sale and issuance of the Series 2019 Bonds.

(d) The City, by resolution, also requested the Commission to sell the Series 2019 Bonds at private sale without advertisement.

(e) The Commission is expected to approve the application of the City at its May 7, 2019 meeting for the issuance of the Series 2019 Bonds in an aggregate principal amount not to exceed \$54,500,000 in accordance with G.S. 159-86.

(f) The City has determined to issue the Series 2019 Bonds in an aggregate principal amount not to exceed \$54,500,000 for the purpose of providing funds, together with any other available funds, to (i) pay or reimburse the costs of the Series 2019 Project, (ii) refund all or a portion of the outstanding Series 2010B Bonds and (iii) pay the fees and expenses incurred in connection with the sale and issuance the Series 2019 Bonds.

(g) The City proposes to sell the Series 2019 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.

(h) 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 2019 Bonds:

(1) Eighth Supplemental Trust Agreement, to be dated as of June 1, 2019 (the “Eighth Supplemental Trust Agreement”), between the City and the Trustee, including the form of the Series 2019 Bonds attached thereto as Exhibit B;

(2) Escrow Deposit Agreement, to be dated as of June 1, 2019 (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 2010B Bonds;

(3) Bond Purchase Agreement, to be dated as of the date of delivery thereof (the “Bond Purchase Agreement”), among the Commission, the City and the Underwriters; 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 2019 Bonds; and

(i) The City has determined that the sale and issuance of the Series 2019 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 Eighth 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 2019 Bonds in an aggregate principal amount not to exceed \$54,500,000 for the purposes set forth in Section 1(f) of this order. The exact amount of Series 2019 Bonds to be issued shall be determined by the Financial Services Director of the City at the time the Series 2019 Bonds are sold and shall be an amount sufficient, together with any other available funds of the City, to (a) pay or reimburse the costs of the Series 2019 Project, (b) refund all or a portion of the outstanding Series 2010B Bonds and (c) pay the fees and expenses incurred in connection with the sale and issuance of the Series 2019 Bonds. The Series 2019 Bonds shall mature at such times and in such amounts as shall be set forth in the Eighth Supplemental Trust Agreement, subject to the provisions of this order.

The Series 2019 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 2019 Bonds as set forth in the Eighth Supplemental Trust Agreement. Interest on the Series 2019 Bonds shall be payable on May 1 and November 1 of each year, beginning November 1, 2019, until the payment in full of the principal thereof. The final maturity of the Series 2019 Bonds shall not be later than November 1, 2043.

Section 4. The Series 2019 Bonds may be subject to redemption prior to their respective maturities if and to the extent so provided in the Eighth Supplemental Trust Agreement.

Section 5. The proceeds of the Series 2019 Bonds shall be applied as provided in Section 204 of the Eighth Supplemental Trust Agreement.

Section 6. The Series 2019 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 Eighth Supplemental Trust Agreement.

Section 7. The proposal set forth in the Bond Purchase Agreement submitted by the Underwriters offering to purchase the Series 2019 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 2019 Bonds and such interest rates not to result in an aggregate true interest cost in excess of 4.50%, is hereby approved. The Commission is hereby requested to sell and

award the Series 2019 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 2019 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 forms, terms and provisions of the Eighth Supplemental Trust Agreement and the Escrow Agreement are hereby approved, and the Mayor, the City Manager or the Financial Services Director and the City Clerk or any assistant or deputy City Clerk are hereby authorized and directed to execute the Eighth Supplemental Trust Agreement and the Escrow Agreement in substantially the forms 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, including, without limitation, modifications necessary to incorporate the final terms of the Series 2019 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 2019 Bonds is hereby approved. The distribution of the Preliminary Official Statement in connection with the offering for sale of the Series 2019 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 2019 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 officers, 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 2010B 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 2019 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 2010B Bonds, and which maturities of the outstanding Series 2010B 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 3.00% of the refunded Series 2010B Bonds.

Subject to the issuance of the Series 2019 Bonds, the City Council hereby directs that the Series 2010B Bonds refunded by the Series 2019 Bonds and maturing on or after November 1, 2021 be called for optional redemption on November 1, 2020, in the manner set forth in the Escrow Agreement, the Trust Agreement and the Fourth 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 Eighth 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 2019 Bonds, the Trust Agreement, the Eighth 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 2019 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 2010B Bonds being refunded by the Series 2019 Bonds shall not become effective unless and until the Series 2019 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 \$54,500,000 COMBINED ENTERPRISE SYSTEM REVENUE BONDS, SERIES 2019 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 May 6, 2019, as relates in any way to the adoption of the foregoing order authorizing the sale and issuance of revenue bonds of said City and that said proceedings are to be 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 6th day of May, 2019.

City Clerk

[SEAL]