THE CITY OF ASHEVILLE

**STAFF REPORT**

**Council Meeting Date:** November 15, 2022

**Subject:** 2023 General Obligation Refunding Bonds - Introduction of Bond Order and Adoption of Resolution Making Certain Statements of Fact and Setting the Public Hearing.

**Staff Resource(s):** Tony McDowell, Finance Director

**Actions Requested:** Introduction of the Bond Order that authorizes the issuance of 2023 General Obligation (GO) Refunding Bonds in an amount not to exceed $26,000,000; and 2) adoption of a Resolution making certain statements of fact concerning the bond issue; and 3) setting a public hearing on December 13, 2022 to receive public comments on the proposed bond refunding.

**Background**:

- On November 8, 2016, Asheville voters approved a $74 million General Obligation (GO) Bond Referendum - $32 million for Transportation improvements, $25 million for Affordable Housing initiatives and $17 million for Parks and Recreation improvements.
- In June 2020, the City issued a three-year short-term general obligation bond in an amount not to exceed $25,000,000.
- Short term bonds provide cash to reimburse the City for capital expenses prior to the issuance of long term fixed rate financing.
- Since the short term bond was issued in June 2020, the City has drawn down approximately $14.9 million and will draw the remaining available amount over the next two months.
- In order to refund the $25,000,000 principal on the short term bond, the City intends to issue long-term, fixed-rate GO Bonds in early 2023.
- Staff is seeking Council approval of the introduction of the Bond Order that authorizes the issuance of 2023 General Obligation (GO) Refunding Bonds in an amount not to exceed $26,000,000, this amount includes an estimate of potential Original Issue Discount and issuance cost.
- Staff is also seeking Council approval:
    - of the resolution making certain statements of fact concerning the proposed bonds as required by the Local Government Commission and
    - to set a Public Hearing on this debt issuance for December 13, 2022.
- Approval of the Bond Order and adoption of a resolution setting the terms of the bonds is also scheduled for Council's December 13, 2022 meeting.

**Council Goal(s):**

- A Financially Resilient City

**Pro(s):**

- Converts GO funding from short-term variable-rate debt to long-term, fixed-rate bonds.
- Spreads capital costs over a longer term to better match assets' lives.

**Con(s):**

- None

**Fiscal Impact**:

- In June 2017, City Council approved a 3.5 cent increase to the property tax rate to fund future debt service associated with voter passage of the GO Bond referendum.

- The debt service payments for this bond refunding are already included in the multi-year Capital Improvement Program (CIP)/Debt Financial Model.

**Suggested Motions:**

- Motion to introduce the Bond Order authorizing the issuance of 2023 General Obligation (GO) Refunding Bonds in an amount not to exceed $26,000,000; and motion to adopt the resolution making certain statements of fact concerning the proposed bond issue and setting a public hearing on December 13, 2022 to receive public comments on the proposed bond refunding.

**Attachment(s)**

- Introduction of Bond Order
- Resolution Making Certain Statements of Fact and Calling for Public Hearing

**BOND ORDER AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $26,000,000**
**GENERAL OBLIGATION REFUNDING BONDS OF THE CITY OF ASHEVILLE, NORTH CAROLINA**

*WHEREAS,* the City of Asheville, North Carolina (the "*City*") has previously issued its General Obligation Bond, Series 2020 (the "*2020 Bond*");

*WHEREAS,* the City Council of the City (the "*City Council*") deems it advisable to refund all of the outstanding principal amount of the 2020 Bond;

*WHEREAS,* an application has been filed with the Secretary of the Local Government Commission of North Carolina requesting Commission approval of the bonds hereinafter described as required by the Local Government Bond Act.

*NOW, THEREFORE, BE IT ORDERED* by the City Council of the City of Asheville, North Carolina, as follows:

Section 1. The City Council deems it advisable to refund the 2020 Bond.

Section 2. To raise the money required to pay the costs of refunding the 2020 Bond as set forth above, General Obligation Refunding Bonds of the City (the "*Refunding Bonds*") are hereby authorized and shall be issued pursuant to the Local Government Bond Act of North Carolina. The maximum aggregate principal amount of such Refunding Bonds authorized by this bond order shall be and not exceed $26,000,000.

Section 3. Taxes will be levied in an amount sufficient to pay the principal and interest of the Refunding Bonds.

Section 4. A sworn statement of the City's debt has been filed with the City Clerk and is open to public inspection.

Section 5. This bond order shall take effect on its adoption.

Introduced this 15th day of November, 2022.

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City Clerk Mayor

APPROVED AS TO FORM:

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City Attorney

# RESOLUTION 22-___

**A Resolution of the City Council of the City of Asheville, North Carolina Making Certain Statements of Fact Concerning Proposed Bond Issue**

*WHEREAS,* the City Council is considering the issuance of bonds of the City of Asheville, North Carolina (the "*City*") which shall be for the following purpose and in the following maximum amount:

> Not to exceed $26,000,000 of General Obligation Refunding Bonds to pay the costs of refunding the outstanding principal amount of the City's General Obligation Bond, Series 2020 (the "*2020 Bond*").

*WHEREAS,* the City Council must make certain findings of fact to enable the Local Government Commission of North Carolina (the "*Commission*") to make certain determinations as set forth in Section 159-52 of the General Statutes of North Carolina.

***NOW, THEREFORE, BE IT RESOLVED*** that the City Council, meeting in open session on the 15th day of November, 2022, has made the following factual findings in regard to this matter:

A. ***Facts Regarding Necessity of Proposed Financing.*** The proposed bonds are necessary and expedient to fix the debt service costs related to the projects financed with the 2020 Bond.

B. ***Facts Supporting the Amount of Bonds Proposed.*** The sums estimated for these bonds are adequate and not excessive for the proposed purpose.

C. ***Past Debt Management Policies.*** The City's debt management procedures and policies are good and have been carried out in compliance with law. The City employs a finance officer to oversee compliance with applicable laws relating to debt management. The City Council requires annual audits of City finances. In connection with these audits, compliance with laws is reviewed. The City is not in default in any of its debt service obligations. The City Attorney's office reviews all debt-related documents for compliance with laws.

D. ***Past Budgetary and Fiscal Management Policies.*** The City's budgetary and fiscal management policies have been carried out in compliance with laws. Annual budgets are closely reviewed by the City Council before final approval of budget ordinances. Budget amendments changing a function total or between functions are presented to the City Council at regular City Council meetings. The finance officer presents financial information to City Council which shows budget to actual comparisons annually and otherwise as the City Manager deems necessary or as a member of the City Council may request.

E. ***Retirement of Debt.*** The increase in taxes, if any, necessary to service the proposed debt will not be excessive.

F. ***Marketing of Bonds.*** The proposed bonds can be marketed at reasonable rates of interest.

G. ***Estimated Interest***. The assumptions used by the finance officer in preparing the statement of estimated interest to be filed with the City Clerk pursuant to Section 159-55.1(a) of the General Statutes of North Carolina (the "*Statement of Disclosure*") are reasonable.

H. ***Financing Team.*** The Finance Director, with advice from the City Attorney, is hereby authorized and directed to (1) retain Parker Poe Adams & Bernstein LLP, as bond counsel, (2) retain BofA Securities, Inc., as underwriter for the proposed bonds and (3) retain DEC Associates, Inc., as financial advisor. The Finance Director is authorized to retain and approve the services of other professionals that he deems necessary related to the issuance of the proposed bonds. The filing of an application by the Finance Director, or his designee, with the Commission for its approval of the proposed bonds is hereby ratified and confirmed.

***NOW, THEREFORE, BE IT FURTHER RESOLVED*** by the City Council that the public hearing on the bond order shall be held on the 13th day of December, 2022 at or about 5:00 p.m. or as soon thereafter as practicable in the Council Chamber, 2nd Floor of Asheville City Hall, 70 Court Plaza, Asheville, North Carolina 28801. The City Clerk is hereby directed to cause a copy of said bond order to be published with a notice of such hearing in the form prescribed by law in a newspaper of general circulation in the City on or before six days before the public hearing. Before the public hearing, the Finance Director is hereby directed to (1) file a sworn statement of debt as prescribed by law and (2) file the Statement of Disclosure with the Commission and the City Clerk, which will be maintained by the City Clerk and posted online on the City's website, as prescribed by law.

Read, approved and adopted this 15th day of November, 2022.

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City Clerk Mayor

APPROVED AS TO FORM:

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City Attorney