THE CITY OF ASHEVILLE

STAFF REPORT

Council Meeting Date: July 27, 2021

Subject: 2021 Water Revenue Refunding Bonds - Initial Resolution

Staff Resource: Tony McDowell, Director of Finance and Management Services

Action Requested: Adoption of Initial Resolution for the proposed 2021 Water Revenue Refunding Bonds

Background:

- In May, 2018, Council authorized the issuance of a Water Revenue Bond Anticipation Note (Water BAN) draw program in an amount not to exceed $40 million.
- The loan was used to reimburse the City for expenses associated with the North Fork Dam project.
- The City has drawn down the full amount of the loan, $40 million.
- To pay off the Water BAN loan, the City intends to issue long-term, fixed-rate Water Revenue Refunding Bonds in an amount not to exceed $40.5 million in late-September 2021. The bond amount includes anticipated cost of issuance expenses.

Council Goal:

- Financially Resilient City

Committee(s):

- None

Pro(s):

- Converts a short-term variable-rate loan to long-term, fixed-rate refunding bonds.
- Spreads capital costs over a longer term to better match the life of the water asset, the North Fork Dam

Con(s):

- None

Fiscal Impact:

- Annual debt service payments will increase because long-term fixed rates are higher than short-term variable rate debt.
- This increase is included in the City's long-range financial model for issuing and paying-off debt.
- The final amounts of the new debt service payments will be determined on the bond sale date.

Suggested Motion:

- Motion to adopt the 2021 Water Revenue Refunding Bonds Initial Resolution

Attachment(s):

- 2021 Water Revenue Refunding Bonds - Activity Calendar
- 2021 Water Revenue Refunding Bonds - Initial Resolution

2021 Water Revenue Refunding Bonds - Activity Calendar

July 27, 2021:	**Council adopts Initial Resolution for 2021 Water Revenue Refunding Bonds**
August 24, 2021:	Council adopts Bond Order and Bond Resolution for 2021 Water Revenue Refunding Bonds
September 14, 2021:	LGC approval
September 16, 2021:	Sale of 2021 Water Revenue Refunding Bonds
September 30, 2021:	Closing of 2021 Water Revenue Refunding Bonds

RESOLUTION 21-___

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ASHEVILLE, NORTH CAROLINA, DIRECTING THE APPLICATION TO THE LOCAL GOVERNMENT COMMISSION FOR APPROVAL OF A WATER SYSTEM REVENUE BONDS AND CERTAIN RELATED MATTERS

WHEREAS, the City of Asheville, North Carolina (the *"City"*) is authorized by The State and Local Government Revenue Bond Act, General Statutes of North Carolina, Section 159-80 *et seq*. (the *"Act"*), to issue, subject to the approval of the Local Government Commission of North Carolina (the *"LGC"*), at one time or from time to time revenue bonds of the City for the purposes as specified in the Act; and

WHEREAS, the City has previously issued a City of Asheville, North Carolina Water System Revenue Bond Anticipation Note, Series 2018 (the *"Bond Anticipation Note"*) in an aggregate principal amount not to exceed $40,000,000 to finance the costs of extensions, additions and capital improvements to, or the acquisition, renewal or replacement of capital assets of, or purchasing and installing new equipment for the water system owned by the City;

WHEREAS, the City Council is considering the issuance of the City's Water System Revenue Bonds (the *"Bonds"*) in an aggregate principal amount not to exceed $40,500,000 under a General Trust Indenture dated as of December 1, 2005 between the City and The Bank of New York Trust Company, N.A., now known as The Bank of New York Mellon Trust Company, N.A., as trustee, (the *"Trustee"*) (the *"General Indenture"*) and Series Indenture, Number 5 (the *"Series Indenture"*) between the City and the Trustee, to refund the Bond Anticipation Note and to pay the costs of issuing the Bonds;

WHEREAS, the City Council wants to approve the retention of the financing team for the Bonds, including (A) Parker Poe Adams & Bernstein LLP, as bond counsel; (B) DEC Associates, Inc., as the financial advisor; (C) The Bank of New York Mellon Trust Company, N.A., as trustee, paying agent and registrar for the Bonds; (D) BoA Securities, Inc., as underwriter of the Bonds (the *"Underwriter"*), and (E) Raftelis Financial Consultants, Inc., as feasibility consultant, and authorize and approve the retention of such other professionals as the Chief Financial Officer of the City determines may be necessary to carry out the financing contemplated in this Resolution (collectively, the "*Financing Team*");

WHEREAS, the City Council wants the Chief Financial Officer of the City, or his designee, to file with the LGC an application for its approval of the Bonds, on a form prescribed by the LGC, and (1) request in such application that the LGC approve (a) the negotiation of the sale of the Bonds to the Underwriter and (b) the City's use of the Financing Team and (2) state in such application such facts and to attach thereto such exhibits in regard to the Bonds and to the City and its financial condition, as may be required by the LGC, and to take all other action necessary to the issuance of the Bonds;

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF ASHEVILLE, NORTH CAROLINA DOES RESOLVE AS FOLLOWS:

Section 1. The Bonds are to be issued by the City for the purpose of providing funds (1) to refund the Bond Anticipation Note and (2) to pay the costs of issuing the Bonds all as set out in the documents attached to the City's application to the Commission. The use of the proceeds of the Bonds, as described, is necessary in order to fix the long-term interest cost of the City related to the projects financed from the proceeds of the Bond Anticipation Note. The principal of, premium, if any, and interest on the Bonds shall not be payable from the general funds of the City, nor shall they constitute a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues except the funds which are pledged under the General Indenture and the Series Indenture. Neither the credit nor the taxing power of the State of North Carolina or the City are pledged for the payment of the principal of, premium, if any, or interest on the Bonds, and no holder of Bonds will have the right to compel the exercise of the taxing power by the State of North Carolina or the City or the forfeiture of any of its property in connection with any default thereon.

Section 2. The Chief Financial Officer of the City, or his designee, with advice from the City Attorney and bond counsel, is hereby authorized, directed and designated to file an application with the LGC for its approval of the issuance of the Bonds. The Financing Team for the Bonds is hereby ratified and approved.

Section 3. The City Council finds and determines and asks the LGC to find and determine from the City's application and supporting documentation:

(a) that the issuance of the Bonds is necessary or expedient;
(b) that the not to exceed stated principal amount of the Bonds will be sufficient but is not excessive, to refinance the Bond Anticipation Note;
(c) that the City's water system as now constituted is feasible;
(d) that the City's debt management procedure and policies are good; and
(e) that the Bonds can be marketed at a reasonable interest cost to the City.

Section 4. The City Council requests that the LGC sell the Bonds at private sale without advertisement to the Underwriter at such prices as the LGC determines to be in the best interest of the City, but at a true interest cost not exceeding 5.00%.

Section 5. The Mayor, the City Manager, the Chief Financial Officer, the Treasurer, the City Clerk, including anyone serving as such in an interim capacity, and their respective designees (the *"Authorized Officers"*), are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to complete the steps necessary for the issuance of the Bonds. All acts and doings of the Authorized Officers that are in conformity with the purposes and intents of this Resolution and in the furtherance of the issuance of the Bonds shall be, and the same hereby are, in all respects approved and confirmed. Any provision in this Resolution that authorizes more than one officer of the City to take certain actions shall be read to permit such officers to take the authorized actions either individually or collectively.

Section 6. All resolutions or parts thereof of the City Council in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 7. This Resolution is effective on its adoption.

Read, approved and adopted this 27th day of July, 2021.

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City Clerk Mayor

APPROVED AS TO FORM:

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City Attorney