THE CITY OF ASHEVILLE

STAFF REPORT

Council Meeting Date: May 26, 2020

Subject: Technical Budget Amendment associated with the refunding of the 2018 General Obligation Bond (GO) draw program

Staff Resource: Barbara Whitehorn, CFO & Director of Finance and Management Services

Action Requested: Adoption of a technical budget amendment to the Fiscal Year (FY) 2019-20 General Fund (2100 Fund) budget in the amount of $22,445,994 to account for the refunding component of the 2018 General Obligation (GO) Bond draw program.

Background:

- In 2016, the voters of Asheville approved a GO bond referendum for $74 million.
- The City uses a draw program to minimize the cost of debt. A draw program is a model using short-term debt (24-59 month) during the construction of projects. This short-term debt is then "refunded," or refinanced with long-term debt (20 years). This model minimizes the interest the City pays on debt during construction, ensuring that the City's debt capacity is used most efficiently.
- In June 2018, the City entered into a GO bond draw program in an amount not to exceed $23 million.
- Over the subsequent 21 months, the City drew down on the loan to fund various GO-related projects. In March 2020, the City repaid the interim GO bond ($22.2 million) by issuing 20 year, fixed-rate bonds.
- The FY 2019-20 budget did not include appropriations for the refunding of the 2018 GO bond draw program debt with long-term debt because the amount to be refinanced and the timing were not yet determined when the FY 2019-20 budget was adopted.
- This technical amendment incorporates this appropriation into the budget in order to ensure that the General Fund does not exceed the approved annual budget in the City's Comprehensive Annual Financial Report (CAFR).

Council Goal:

- Financially Resilient City

Committee(s):

- None

Pro(s):

- Amends the FY 2019-20 budget in order to ensure statutory budgetary compliance.

Con(s):

- None

Fiscal Impact:

- There is no net fiscal impact from this technical budget amendment. It will simply amend the FY 2019-20 budget in the General Fund to reflect the receipt of refunding proceeds from the bank and the subsequent payment to bondholders to defease the prior debt issuance.

Suggested Motion:

- Motion to approve a technical budget amendment to the Fiscal Year 2019-20 General Fund (2100 Fund) budget in the amount of $22,445,994 to account for the refunding component of the 2018 General Obligation Bond draw program.

Attachment(s):

- Budget Amendment

ORDINANCE NO. _____

BUDGET ORDINANCE AMENDMENT

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE

That the City of Asheville Annual Operating or Capital Projects Budget Ordinance be amended in the amount of $22,445,994 to account for the refunding component of the 2018 General Obligation Bond draw program as follows:

GENERAL FUND (2100 Fund)

Revenues:

Proceeds of Debt - Refunding	$ 20,825,000.00
Proceeds of Debt - Refund Prem	$ 1,620,994.25

Appropriations:

Payment to Defease Debt	$ 22,175,550.27
Debt Issuance Cost	$ 270,443.98

That this ordinance shall be in full force and effect upon the date of final passage.

Read, approved and adopted this 26 day of May, 2020.

_____ _____

City Clerk Mayor

Approved as to form:

_____

City Attorney