THE CITY OF ASHEVILLE

City Council Staff Report

Council Meeting Date

- April 14, 2026

Subject

- 2026 Water Revenue Bonds - Initial Resolution Directing Application to the Local Government Commission (LGC)

Staff Resource(s)

- Tony McDowell, Director of Finance and Management Services

Action Requested

- Resolution authorizing the Finance Director of the City, or his designee, with advice from the City Attorney and bond counsel to file an application with the Local Government Commission (LGC) for its approval of the issuance of Water System Revenue Bonds and certain related matters.

Background

- In May 2024, City Council adopted a resolution providing staff with authorization to enter into a contract with Wharton-Smith, Inc, including contingency, totaling $26,888,196 for the construction of the Mills River Water Treatment Plant Improvements Phase 2.
- In January 2026, City Council adopted a resolution providing staff with authorization to enter into a contract with TP Howard Plumbing, Inc, including contingency, totaling $8,948,500 for the Neighborhood Enhancement Project (NEP) Area 8 - Water Distribution.
- It was noted at the time for both projects that the City intended to fund the contracts through the issuance of long-term debt.
- Mills River Water Treatment Plant Improvements Phase 2 was also awarded a $5 million State Revolving Fund (SRF)/ARPA grant.
- With expenses to-date in the Mills River project now totaling approximately $11 million and significant additional spending expected to occur in both projects in the upcoming months, staff intends to move forward with applying to the LGC for issuance of the Water Revenue Bonds associated with the Mills River and NEP 8 projects and issue the Bonds in June of this year.
- To cover the expenses from the both projects, debt issuance costs, and provide

funding for other eligible water system capital expenses, staff plans, in consultation with our financial advisors and bond counsel, to issue the debt in an amount not to exceed $35 million.
- In addition, based on advice from the City's external financial advisors and bond counsel, staff is recommending refinancing the currently outstanding 2015 Water System Revenue Bonds, which will result in net present value debt service savings of approximately $398,000.
- Staff will return to City Council at its May 12, 2026 meeting for final approval of the bonds which includes adoption of the Bond Order and Bond Resolution

Vendor Outreach Efforts:

- N/A

Council Vision 2036 Focus Area(s):

- Financially Resilient City

Council Priority Recovery Area(s):

- Infrastructure and Environment

Committee(s):

- None

Pro(s)

- Utilizes debt financing to spread the capital costs over a longer term to better match the life of the water asset.

Con(s)

- None

Fiscal Impact

- Issuance of the Water Revenue Bonds will result in additional debt service in the Water Resources Fund. The exact amount of the debt service will be determined when the bonds are issued but staff has already accounted for an estimate of the debt in the water system rate model. Based on current interest rates, the refunding of the 2015 Water Bonds is expected to produce total net present value debt service savings of approximately $398,000.

Suggested Motion

- Motion to adopt the 2024 Water Revenue Bonds Initial Resolution Directing Application to the Local Government Commission (LGC) for the 2024 Water Revenue Bonds

Attachment(s)

- Resolution

City of Asheville Resolution No. 26-___

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;

WHEREAS, the City has previously issued its $50,625,000 Water System Revenue Refunding Bonds, Series 2015 (the "*2015 Bonds*"), pursuant to the Amended and Restated General Trust Indenture dated as of September 1, 2021 (the "*General Indenture*") between the City and The Bank of New York Mellon Trust Company, N.A., as trustee, (the "*Trustee*") and Series Indenture, Number 3, dated as of May 1, 2015 between the City and the Trustee, the proceeds of which were used to refund various obligations of the City which financed and refinanced certain green initiative water projects deemed to serve an environmental benefit for the City (the "*Prior Projects*");

WHEREAS, the City Council of the City (the "*City Council*") is considering the issuance of the City's Water System Revenue Bonds (with appropriate designations) in one or more series (the "*Bonds*") to (1) 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 (the "*2026 Projects*"); in an aggregate principal amount not to exceed $35,000,000 and (2) refund all or a portion of the City's outstanding 2015 Bonds, if advantageous to the City to achieve debt service savings, in an aggregate principal amount not to exceed $16,000,000;

WHEREAS, the Bonds would be issued under the General Indenture and a series indenture between the City and the Trustee, to (1) finance the 2026 Projects, (2) refinance the Prior Projects and (3) 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 (collectively, the "*Financing Team*"); and

WHEREAS, the City Council wants the Finance Director 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 to (1) pay the costs of the 2026 Projects, (2) refinance the Prior Projects and (~~2~~3) to pay the costs of issuing the Bonds. The use of the proceeds of the Bonds is necessary to meet the needs of the users of the Water System and to assure that the Water System remain in full compliance with all state and federal requirements for the provision of water services and, to the extent that the City determines to refinance the Prior Projects, to achieve debt service savings for the City.

Section 2. The Finance Director 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 and the Finance Director of the City is hereby authorized and directed to retain other professionals that may be necessary to carry out the intentions of the City Council as set forth in this Resolution.

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 finance the 2026 Projects and refinance the Prior Projects;
(c) that the City's water system as now constituted, and as it will be constituted after the completion of the 2026 Projects, 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 6.00%.

Section 5. The Mayor, the City Manager, the Finance Director, 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 14th day of April, 2026.

_____ _____

City Clerk Mayor

Approved as to Form:

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City Attorney