

BOARD OF ALDERMEN

ITEM NO. E(3)

AGENDA ITEM ABSTRACT

MEETING DATE: May 6, 2003

TITLE: A Request to Set a Public Hearing for Refinancing Taxable and Tax-Exempt General Obligation Bonds

DEPARTMENT: Management Services	PUBLIC HEARING: YES ____ NO <u>x</u>
ATTACHMENTS: A. Bond Order for Introduction B. Resolution C. Savings Analysis – Publicly Held Debt D. Savings Analysis – Installment Debt E. Annual Debt Payments - Revised F. Public Hearing Notice G. Sworn Statement of Debt H. Timeline – 2003 Refunding Bond	FOR INFORMATION CONTACT: Bing Roenigk, Assistant Town Manager 918-7300

PURPOSE: With favorably low interest rates, the opportunity exists for many units of government to obtain significant savings by refinancing outstanding debt. The Board of Aldermen is requested to consider refunding general obligation bonds issued by the Town in 1990 and bonds previously refunded in 1989, and to take actions necessary to accomplish this undertaking if the Board so desires.

INFORMATION: Town staff has reviewed outstanding publicly held debt (general obligation bonded debt) and privately placed debt (installment financings) for savings opportunities. Publicly held debt requires specific legal and public processes to accomplish while installment financings may be renegotiated with the current contract holder (bank) to obtain a lower rate while at the same time minimizing financing costs. If renegotiation of rates with the current holder is the most beneficial option, town staff needs only to forward the contract modification provisions and a schedule of any incidental costs to the Local Government Commission for approval. The Town is currently working with BB&T and Bank of America to renegotiate outstanding installment loans. Calculated savings are provided for the Board's information (Attachments C & D).

While staff is reviewing all possibilities for refinancing, this agenda item only deals with publicly held debt as required by state law. The savings analysis for refunding \$650,000 in publicly held debt shows that the Town could save approximately \$94,000 over the remaining terms if the aforementioned bonds were issued. Issuance costs for the refunded bonds are rolled into the refunding with no out of pocket costs to the Town. The breakdown of the bond refunding follows:

Bond Issue/Misc. Fees	Amount
1989 GO Refunding, Outstanding Principal	\$447,000
1990 Streets and Bikeways, Outstanding Principal	\$175,000
Bond Counsel Fees, 1989 GO Refunding	\$ 7,500
Bond Counsel Fees, 1990 Streets and Bikeways Refunding	\$ 5,000
1990 Streets and Bikeways, Redemption Penalty	\$ 3,500
Subtotal	\$638,000
Potential Bank/Processing Fees (not known until bid results are	\$ 12,000

in)	
Total Refunding	\$650,000

The Assistant Town Manager has taken the first step in the refunding process by contacting the Local Government Commission (LGC) in a letter of application requesting approval to proceed with the refunding. Both the LGC and bond counsel are in agreement that the Town can proceed with a refunding.

In order to continue the refunding process, the Board is required to take the following actions (see Timetable, Attachment G):

- ▶ Introduce the Bond Order for the Bond Refunding (Attachment A)
- ▶ Adopt a resolution establishing May 20, 2003 as the date for the Public Hearing, authorizing the Finance Director to File a Sworn Statement of Debt and the Town Clerk to Publish a Notice of Public Hearing (Attachment B)

These actions are statutory requirements and the documents have been prepared in accordance by Bob Jessup, Bond Counsel.

FINANCIAL IMPACT: There is no impact in the current FY02-03 budget. Annual savings of approximately \$9,000 are estimated for the bonded debt refunding in FY03-04, climbing to \$25,000 in FY08-09 (Attachment E).

For the renegotiations of installment debt, the Town will pay an hourly fee for bond counsel assistance instead of a lump sum fee. Costs are not expected to exceed \$5,000. Funds are available within the debt service budget. Based on loan modifications offered by the banks holding the installment debt notes, savings will equal \$389,432 (Attachment D).

ADMINISTRATION'S RECOMMENDATION: The Town Manager recommends that the Board introduce the Bond Order and adopt the Resolution setting a date for a public hearing, authorizing the Assistant Town Manager/Finance Director to file a Sworn Statement of Debt (Attachment G) and authorizing the Town Clerk to publish a notice of public hearing.