

**Item Title:** Ratification of Application to Local Government Commission and Scheduling of Public Hearing for Limited Obligation Refunding Bonds

**Specific Action Requested:**

**That the Board of Commissioners adopts the attached resolution which:**

- 1. Ratifies an application to the Local Government Commission for the issuance of Limited Obligation Refunding Bonds; and**
- 2. Makes findings and determinations regarding the proposed refunding; and**
- 3. Schedules a public hearing for May 2, 2016 regarding the County's issuance of Limited Obligation Refunding Bonds.**

**Item Summary:**

Wake County issues long-term debt under constitutional and legislative law to leverage taxpayer dollars to meet the capital needs of its citizens. The Finance Department, in conjunction with the County's financial advisor, monitors the County's existing debt portfolio. Similar to when a homeowner refinances a mortgage to a lower interest rate, the County can refund (or "refinance") a portion of its outstanding debt to take advantage of lower interest rates.

The Finance Department has been monitoring market conditions, and specifically, an opportunity to refund a portion of the County's outstanding Series 2009 and Series 2010 limited obligation bonds (LOBs). A total of \$254.92 million remains outstanding for the County's limited obligation bonds; \$129.88 million of the County's Series 2009 LOBs issued to finance the expansion of the Hammond Road Detention Center and \$125.04 million of the County's Series 2010 LOBs issued for the construction of the Wake County Justice Center. The County is proposing to refund approximately \$206 million of these bonds to a lower interest rate.

The County issued a Request for Proposals for bond underwriters, and 12 responses were received. Based on the proposer's relevant experience, the firm's retail and institutional distribution capabilities, and the proposal's discussion of structuring to achieve savings for the County, Bank of America Merrill Lynch was selected as Senior Manager and JP Morgan and Robert W. Baird and Company was selected as co-managers for the transaction.

The average interest rate of the outstanding maturities of the limited obligation bonds being refunded is 4.96%. The all-in cost of the refunding bonds is estimated at 2.73%, a reduction of 221 basis points, or 2.21%. The net present value savings is expected to be \$22.0 million, or 10.7% of the principal amount of the bonds being refunded. In current dollars, this refunding is anticipated to save the County an average of \$1.5 million in debt services expenditures annually for 21 years from fiscal year 2017 through fiscal year 2037.

The County will continue to work with its financial advisor to determine whether it continues to be in the best interest of the County to refund all or a portion of the bonds and monitor market conditions to ensure that the refunding continues to be in the best interest of the County. The transactions are structured to permit the County to not issue the bonds if issuing refunding bonds is not in the best interest if market conditions change.

The Board of Commissioners is requested to adopt the attached resolution which ratifies an application to the Local Government Commission requesting approval for the County to issue Limited Obligation Refunding Bonds pursuant to Section 160A-20 of the North Carolina General Statutes, via negotiated sale, if the issuance is in the best interest of the County. The refunding limited obligation bonds will be secured by payments from the County, subject to annual appropriation, and by recourse to the Wake County Justice Center via a Deed of Trust. The resolution also schedules a public hearing on the issuance of the refunding bonds. After the public hearing on the issuance of the refunding bonds, the Board of Commissioners will be asked to approve the issuance of the bonds which are scheduled to be sold on May 19, 2016.

**Attachments:**

1. Draft Resolution
2. Summary of Responses to Request for Proposal