

Item Title: Findings and Application to the Local Government Commission Regarding Proposed Issuance of General Obligation Refunding Bonds

Specific Action Requested:

That the Board of Commissioners adopts the attached resolution making certain findings, authorizing the filing of an application with the Local Government Commission, appointing bond counsel and a financial advisor in connection with the proposed issuance of general obligation refunding bonds of the County, and schedules a public hearing for September 19 at the regular meeting of the Board of Commissioners regarding the order authorizing \$190 million general obligation refunding bonds.

Item Summary:

The County currently has \$190 million of outstanding variable rate debt; \$90 million outstanding from variable rate general obligation school bonds issued in 2003 and \$100 million outstanding of variable rate general obligation school bonds issued in 2007. Interest rates for variable rate debt are reset weekly by the remarketing agent. The bonds are backed by liquidity facilities, or standby purchase agreements. These facilities and remarketing services are provided by banks, with additional fees over and above the weekly interest rate charged on the amount of debt outstanding.

The County has reviewed the amortization schedule of its variable rate debt and a projection of interest rates for the variable rate program. Currently, the County is modeling a total cost for its variable rate program of 0.835% in FY 2017 increasing incrementally to 3.0% in FY 2023 as the fed fund rate increases over the next few years. The current amortization schedule has the last payment for the County's variable rate debt in FY 2026. Due to historic low interest rates for fixed rate debt, the County is in a position to refund its existing variable rate debt to fixed rate debt, and issue ten year fixed rate debt at a projected true interest cost of 1.11 percent. The proposed refunding, as compared to projected future variable interest rates and related fees currently modeled, results in approximately \$6.7 million of present value savings in debt service over the life of the debt.

The County has a policy that it will issue variable rate debt, however it shall generally not exceed 25 percent of the County's outstanding debt. As the County issues additional bond anticipation notes and draws down on these notes, the refunding of the County's existing variable rate debt will allow for the County to remain within its policies as it issues additional notes for new programs for WCPSS and Wake Tech and other county needs.

In order to begin the process to refund the \$190 million of variable rate school bonds, the Board of Commissioners is required to determine that there is a benefit to the refunding; ratify, authorize, approve, and confirm the filing by the County of an application with the Local Government Commission for approval of the issuance refunding bonds; appoint bond counsel; and appoint a financial advisory. The attached resolution provides for these actions and also provides for the filing of a statement of

sworn debt and statement of interest as required. On September 19, 2016, the Board of Commissioners will hold a public hearing regarding the refunding of the \$190 million of variable rate debt and will consider adopting the refunding bond order and bond resolution.

Attachments:

1. Resolution
2. Sworn Statement of Debt
3. Sworn Statement of Interest