



**Finance  
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# MEMO

**TO:** SUSAN MCCULLEN, FINANCE DIRECTOR  
**FROM:** NICOLE KREISER, DEBT MANAGER  
**CC:** JOHNNA ROGERS, DEPUTY COUNTY MANAGER  
**SUBJECT:** COUNTY DEBT TRANSACTIONS FOR WCPSS, WAKE TECH, AND LIBRARIES  
**DATE:** MARCH 2, 2017

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This week, the County successfully closed three transactions authorized by the Board of Commissioners at their January 17, 2017 regularly scheduled board meeting.

**General Obligation Bonds**

On February 14, 2017, Wake County, through the North Carolina Local Government Commission (LGC), competitively bid and sold \$33.7 million in fixed-rate, tax-exempt general obligation bonds, which are secured by the full faith and credit of the County, to support library building projects. For Series 2017A, the County received four bids, with the winning bid being awarded to Wells Fargo National Bank Association at a true interest cost of 2.8098%. A summary of the bids received is shown below.

Bidder Name	TIC (True Interest Cost)
Wells Fargo Bank National Association	2.8097%
Robert W. Baird & Co. Inc.	2.8600%
Morgan Stanley & Co. LLC	2.8793%
Bank of America Merrill Lynch	2.9222%

The County, through the LGC, also competitively bid and sold \$82,415,000 of tax-exempt general obligation bonds that will be used to pay off outstanding Bond Anticipation Notes for WCPSS projects drawn under the County's 2016 General Obligation Bond Anticipation Notes Agreements. For Series 2017B, the County received five bids, with the winning bid being awarded to Wells Fargo National Bank Association at a true interest cost of 2.8459%. A summary of the bids received is shown below.

Bidder Name	TIC (True Interest Cost)
Wells Fargo Bank National Association	2.8459%
Citigroup Global Markets Inc.	2.9013%
Bank of America Merrill Lynch	2.9094%
J.P. Morgan Securities LLC	2.9499%

Both of these bond sales closed on March 1, 2017. The County's debt and capital model estimated this sale at a TIC of 3.0 percent; the bond sales had a slightly lower TIC than modeled, but well within the 50 basis points of margin of error that is included in the model's current year TIC projection. The actual results of the sales have been incorporated in the model and an updated model will be shared with the Board of Commissioners as part of the Board of Commissioners March 2017 retreat materials.

Prior to the sale, Fitch, Moody's and Standard and Poor's each confirmed the County's triple-A bond rating which allows the County to receive lower interest rates on debt issued for capital expenditures. Rating agency reports issued by Fitch, Moody's, and Standard and Poor's indicated that the rating agencies based their decisions on factors including the County's excellent financial management, diverse economic base and sound financial position. Wake County has received the highest possible rating from Moody's since 1973; Standard & Poor's, 1983; and Fitch, 2000. A copy of the County's latest rating reports will also be in the Board of Commissioners March 2017 retreat materials.

#### **General Obligation Bond Anticipation Notes**

The County has entered into two General Obligation Bond Anticipation Note Agreements, which are also secured by the full faith and credit of the County. These Agreements closed on March 2, 2017. These General Obligation Bond Anticipation Notes total \$95.416 million and are for the last year of debt appropriations for the WCPSS CIP 2013 building program. Both agreements continue to use the same banks as the County's existing General Obligation Bond Anticipation Notes.

The first agreement, Series 2017A, is with State Street Public Lending Corporation in the amount of \$65,598,500. The interest rate for draws is 70% of one-month LIBOR plus 44 basis points, plus a commitment fee of 24 basis points on the amount of the note not drawn. This amounts to a current rate of 0.99%. The second agreement, Series 2017B, is with DNT Asset Trust, a subsidiary of JP Morgan Chase Bank in the amount of \$29,817,500. The interest rate for draws is 70% of one-month LIBOR plus 65 basis points, plus a commitment fee of 23 basis points on the amount of the note not drawn. This amounts to a current rate of 1.10%. Like the County did with this year's 2017B general obligation bond sale, the County will issue long-term fixed rate general obligation bonds in future years to take-out draws made under these Series 2017 A&B General Obligation Notes.

#### **Installment Financing Agreement**

The County has entered into a \$334.349 million installment financing agreement with Wells Fargo Bank, National Association. Funds will be used for \$309.9 million of WCPSS and \$24.4 million of Wake Tech projects as identified in their FY 2017 – FY 2023 building programs. The County will draw down funds as needed, and repayment will be secured by payment by the County, subject to annual appropriation, and a Deed of Trust for the new Willow Spring High School to be constructed in Fuquay-Varina and the existing High School in Apex. The Board of Education has taken action to transfer title to the County for these properties.

Per the terms of the agreement, the County will pay an interest rate of 70% of one-month LIBOR plus 40 basis points, plus a commitment fee of 25 basis points on the amount of the note not drawn; this amounts to a current rate of 0.96%. The maximum amount that may be outstanding at any one time per the terms of this agreement is \$170 million; the County will issue long-term Limited Obligation bonds in 2018 to take out the first \$170 million of draws that will be secured by payment by the County, subject to annual appropriation and a Deed of Trust for one of the properties. The County will then issue long-term Limited Obligation bonds in 2020 for repayment of the remaining draws that will be secured by payment by the County, subject to annual appropriation and a Deed of Trust of the other school site.

The Local Government Commission approved the Installment Financing Agreement on February 7, 2017 and the Agreement closed on February 28, 2017.