

2021 Limited Obligation Bonds

Public Hearing
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Background for Today's Request

- *NC G.S. 160A-20* requires Board approval of Limited Obligation Bonds (“LOBs”).
- Board approval for proposed LOBs issuance requires three Board actions.
- Prior January 4, 2021 Board action:
 - Authorized Findings Resolution
 - Scheduled public hearing to begin today
 - Directed staff to submit application to LGC for approval
- Today's request to conduct public hearing is second action.
- Final action: At its February 1, 2021 meeting, Board to consider any virtual public hearing comments received and consider final issuance resolution for proposed 2021 LOBs.

Purpose of 2021 LOBs

- Since 2016 the County has utilized short-term construction financing (“draw programs”) as means to realize cashflow savings.
- Draw programs remain in place for 4-5 years with periodic conversions to permanent bonds.
- Proposed 2021 LOBs will convert drawn amounts and final remaining undrawn amounts of 2017 Wells Fargo and 2018 Bank of America draw programs to permanent bonds. These two draw programs will be subsequently retired.
- These two draw programs were original funding for FY17, FY18, and FY19 debt appropriations for WCPSS and WTCC capital programs (in total \$770.185 million).
- Conversions to permanent bonds under these two draw programs:
 - 2018A LOBs – converted \$156,000,000 to bonds
 - 2019 LOBs – converted \$237,000,000 to bonds
 - Proposed 2021 LOBs – to convert remaining \$377,185,000 to bonds

Funding Needs Summary

Prior Authorized Projects – Wells Fargo / Drawn Amount	\$ 42,940,918 ¹
Prior Authorized Projects – Wells Fargo / Under Construction	<u>20,725,082</u> ¹
	63,666,000
Prior Authorized Projects – Bank of America / Drawn Amount	235,085,722 ¹
Prior Authorized Projects – Bank of America / Under Construction	<u>78,432,278</u> ¹
	313,518,000
2021 LOBs Not To Exceed	\$ 377,185,000 ²

¹ Captured in December 2020. Ongoing project spending will cause amounts to fluctuate up/down through January 2021.

² Rounded to nearest \$5k. The 2021 LOBS Not to Exceed amount will not fluctuate and will remain \$377,185,000.

Collateral to Transfer

- Debt issued under *NC G.S. 160A-20* requires assets to be pledged to collateralize the debt.
- Three schools currently collateralize the Deed of Trust for the two draw programs:
 - Barton Pond Elementary
 - Neuse River Middle
 - Fuquay-Varina High
- These three schools will be transferred over to Master Deed of Trust to collateralize County LOBs.
- Collateral to remain in place until LOBs are retired in 2038.

**Barton Pond Elementary
New Construction
Substantial Completion
In July 2019**



**Neuse River Middle
Renovation
Substantial Completion
In November 2020**



**Fuquay-Varina High
Renovation
Substantial Completion
In July 2021**



FY17 to FY19 CIP – Examples of Projects

WCPSS

- Barton Pond Elementary
- Southlakes Elementary
- Parkside Elementary
- Northridge Elementary
- Neuse River Middle
- West Millbrook Middle
- Fuquay-Varina High
- Technology Infrastructure/Devices

WTCC

- Classroom Building 2 (RTP)
- Auto & Collision Repair (NWC)
- Main Fac Mgt & Warehouse Bldg
- Security Camera Upgrades
- Accessibility Upgrades & Pedestrian Bridge
- Tech Road, Hwy 401 Imprvmt (South Campus)
- Technology Acquisitions

Financing Structure 2021 LOBs

- Local Government Commission to consider approval of County's proposed 2021 LOBs at its February 2, 2021 meeting.
- Proposed 2021 LOBs to be sold to investors on February 3, 2021
 - JP Morgan as Senior Managing Bank
 - Bank of America and Loop Capital as Co-Managing Banks
- Semi-annual fixed interest rate; Level principal repayment
 - Interest payments March and September
 - Annual principal payments beginning March 1, 2022
- 17-year maturity as planned in Debt and Capital Model.
- Financing to close February 18, 2021.

Timing & Fiscal Impact Anticipated

Timing

- Proposed 2021 LOBs are matter of due course
- Long anticipated in County's Debt and Capital Model

Costs

- Associated closing costs included in FY 2021 Budget
- No debt service in FY 2021
- New debt service begins FY 2022; to be included in FY 2022 Budget

Relevant Board Goal

2020 Board of Commissioners Initiative E2.1

Implement financing strategies to address needs identified in the Capital Improvement Plan

Takeaways

- Replaces short-term financing with permanent financing.
- Associated projects previously authorized in FY16, FY17, and FY18 under the draw programs (i.e., no new projects).
- Three School properties (i.e., collateral) to be transferred from Deed of Trust supporting draw programs to Master Deed of Trust supporting County's LOBs.
- Timing & associated fiscal impact were anticipated in County Model; closing costs incorporated in County's FY2021 Budget; new debt service begins in FY 2022.



Questions

A stylized, light blue map of Wake County is centered in the background of the slide. The map shows the county's irregular shape with various indentations and protrusions.

Open Public Hearing

Requested Board Action

Open public hearing on whether to issue not to exceed \$377,185,000 of Limited Obligation Bonds of the County to (i) refinance a portion of the County's obligations under existing Installment Financing Agreements (the "Installment Financing Agreements") previously entered into by the County pursuant to Section 160A-20 of the General Statutes of North Carolina, and (ii) finance additional school and community college improvements.