

**Item Title:** Proposed 2021 Installment Financing Agreement not to exceed \$584,065,000

**Specific Action Requested:**

**That the Board of Commissioners upon conclusion of a Public Hearing on the proposed matter, adopts a resolution authorizing the execution and delivery of an installment financing agreement, a deed of trust and related documents in connection with the financing of the construction and equipping of certain public school facilities for the County of Wake, North Carolina in an amount not to exceed \$584,065,000.**

**Item Summary:**

**Purpose:** State statute (NC G.S.160A-20) requires Board approval of certain types of debt, including installment financing agreement bank draw programs.

**Background:** This Board action is the final of two required authorizations for the issuance of the proposed installment financing agreement bank draw program ("2021 Schools Draw Program") which will provide short-term construction period financing through a Bank for certain WCPSS ("Schools") projects. Prior action was taken at the Board's June 7, 2021 regular meeting at which time a findings resolution was adopted, today's Public Hearing was scheduled, and a request was made for Local Government Commission to approve the financing arrangement. The proposed Draw Program will be the debt funding source for the Schools fiscal years 2022 and 2023 capital program. Major projects include several new school facilities, as well as major renovations, life cycle improvements, and other facility needs.

**Board Goal:** The proposed Board action complements objectives of the 2021 Board Goal E4: Maintain a long-term funding plan for capital needs at the Wake County Public School System and Wake Technical Community College.

**Fiscal Impact:** Since the proposed 2021 Schools Draw Program has been anticipated in the County's Debt and Capital Model, the associated closing costs and future debt service are already incorporated into the County's proposed FY2022 Budget.

**Additional Information:**

County voters last authorized a General Obligation ("GO") bond for Schools on the November 2018 ballot for \$548 million ("2018 Schools referendum"). The 2018 Schools referendum authorized the County to issue and appropriate GO debt to fund the Schools fiscal years 2020 and 2021 capital program. As such, there is no unappropriated GO

authorization remaining from the 2018 Schools referendum to address Schools capital program funding needs for fiscal years 2022 or 2023.

Early in 2020 at the onset of COVID-19, the Board elected not to pursue a new \$584,065,000 million GO bond (to have appeared on November 2020 ballot) for Schools capital needs for fiscal years 2022 and 2023. The Board instead elected to pursue funding these upcoming Schools capital needs through issuance of limited obligation bonds ("LOBs"), an alternative type of debt which the County may issue under statute NC G.S. 160A-20.

Since 2016, the County has issued short-term (approximate 4-yr duration) draw programs as the initial and temporary debt funding source for Schools and Wake Tech respective capital programs. Over the duration of any short-term draw program, the County will typically pursue periodic bond take-outs to convert drawn portions under the temporary draw program to permanent long-term bonds. Depending on prior Board direction, the permanent bond take-outs will either be GO or LOBs structure. The County's current draw program strategy achieves significant cashflow savings for the County and its citizens as it allows debt to be incurred at a slower pace, thus slowing and/or reducing the need for required future tax increases for capital.

Now is the appropriate time for the County to secure a bank provider for the 2021 Schools Draw Program, the debt funding source for Schools capital needs for fiscal years 2022 and 2023.

### **Bank Provider Selected**

In collaboration with its Financial Advisor, the County recently conducted a public RFP process in which banks had the opportunity to submit a proposal to be provider of the 2021 Schools Draw Program. After in depth analysis of all proposals, and the multiple options presented therein, the County awarded the 2021 Schools Draw Program to Truist Bank (through its governmental lending division, STI Institutional & Government, Inc.), submitter of the lowest-cost proposal.

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## Schools Proposed CIP Projects for FY 2022 and 2023

School CIP Projects		FY2022		FY2023	2-yr Total
New Construction*	Woods Creek ES (E-51)	\$	51,500,111	\$ -	\$ 51,500,111
	Hilltop Needmore ES (E-44)	\$	46,883,053	\$ -	\$ 46,883,053
	Fuquay Varina MS (M-15)	\$	44,542,830	\$ 35,440,000	\$ 79,982,830
	Rex Road ES (E-52)	\$	-	\$ 48,872,767	\$ 48,872,767
	Felton Grove HS (H-12)	\$	84,404,815	\$ 60,000,000	\$ 144,404,815
	E-53	\$	3,508,561	\$ -	\$ 3,508,561
	ES (TBD)	\$	3,508,561	\$ -	\$ 3,508,561
	HS-15 (Capital Blvd Site)	\$	4,518,815	\$ -	\$ 4,518,815
	MS-12	\$	-	\$ 6,600,000	\$ 6,600,000
	<b>New Construction Subtotal</b>	<b>\$</b>	<b>238,866,746</b>	<b>\$ 150,912,767</b>	<b>\$ 389,779,513</b>
Renovation*	Swift Creek ES	\$	-	\$ 49,411,113	\$ 49,411,113
	Baucom ES	\$	-	\$ 42,722,667	\$ 42,722,667
	<b>Renovation Subtotal</b>	<b>\$</b>	<b>-</b>	<b>\$ 92,133,780</b>	<b>\$ 92,133,780</b>
Program Requirements	Life Cycle Building	\$	18,744,300	\$ 20,503,629	\$ 39,247,929
	Life Cycle Furniture	\$	2,076,000	\$ 2,138,000	\$ 4,214,000
	Education Equipment	\$	2,592,000	\$ 2,700,000	\$ 5,292,000
	Technology Devices	\$	19,258,000	\$ 19,986,000	\$ 39,244,000
	Technology Infrastructure	\$	6,556,000	\$ 6,753,000	\$ 13,309,000
	Security	\$	8,114,000	\$ 4,753,000	\$ 12,867,000
	Temporary Classrooms	\$	2,718,000	\$ 2,799,170	\$ 5,517,170
	Assessments	\$	546,364	\$ 562,754	\$ 1,109,118
	Land Acquisition	\$	9,255,088	\$ 4,592,741	\$ 13,847,829
	Space Needs Analysis Prioritization	\$	17,500,000	\$ 20,000,000	\$ 37,500,000
	Partial Renovations & Improvements	\$	4,370,908	\$ 4,500,000	\$ 8,870,908
	Program Contingency	\$	6,871,462	\$ 6,531,379	\$ 13,402,841
	Program Management	\$	9,871,462	\$ 9,731,379	\$ 19,602,841
	<b>Program Requirements Subtotal</b>	<b>\$</b>	<b>108,473,583</b>	<b>\$ 105,551,053</b>	<b>\$ 214,024,636</b>
<b>Total School CIP Projects</b>		<b>\$</b>	<b>347,340,329</b>	<b>\$ 348,597,600</b>	<b>\$ 695,937,929</b>
<i>*does not necessarily represent total project cost of respective projects</i>					

Funding Sources & Appropriation Timing		FY2022		FY2023	2-yr Total
County Funding Sources	Cash	\$	58,229,452	\$ 53,647,495	\$ 111,876,947
	Debt	\$	289,110,878	\$ 294,950,105	\$ 584,060,982
	<b>Total County Funding</b>	<b>\$</b>	<b>347,340,329</b>	<b>\$ 348,597,600</b>	<b>\$ 695,937,929</b>
BOC Appropriation	Cash	June 2021		June 2022	
	Debt	August 2021		August 2022	

## Location and Timing of Major School Projects

School	Construction Type	Location	Projected Completion	Projected in Use for School Year
Felton Grove HS	New	Apex	May 2024	Aug 2024
E-53	New	Apex	May 2025	Aug 2025
Hilltop Needmore ES	New	Fuquay Varina	May 2023	Aug 2023
Fuquay Varina MS	New	Fuquay Varina	Feb 2024	Aug 2024
Woods Creek ES	New	Holly Springs	Jan 2023	Aug 2024*
Rex Road ES	New	Holly Springs	May 2024	Aug 2024
HS-15	New	Raleigh	Apr 2026	Aug 2026
Baucom ES	Renovation	Apex	Jun 2024	Aug 2024
Swift Creek ES	Renovation	Raleigh	Apr 2024	Aug 2024

*\*interim swing space for Baucom ES*

## Collateral Pledge Required

Since the 2021 Schools Draw Program is a non-GO based installment financing agreement with corresponding future LOBs take-out financings, collateral is required to be pledged to support the debt. The County collaborated and worked in partnership with Schools staff to identify five school sites to be pledged as collateral to support the 2021 Schools Draw Program. After the Board of Education conveys these five properties to the County, they will be held in a Deed of Trust to support the 2021 Schools Draw Program:

School	Construction Type	Est Collateral Value
Hilltop Needmore ES	New	\$ 47,809,294
Swift Creek ES	Renovation	\$ 50,214,309
Rex Road ES	New	\$ 51,226,967
Woods Creek ES	New	\$ 52,133,382
Fuquay Varina MS	New	\$ 83,376,699
Total		\$ 284,760,651

Currently the LOBs take-outs to permanently finance drawn amounts under the 2021 Schools Draw Program are anticipated to occur in Spring 2023, Spring 2024 and Spring 2025. Concurrent with each respective planned LOBs issuance, the County intends to systematically release one or more of the pledged School sites from the Deed of Trust supporting the 2021 Schools Draw Program and move to a new Deed of Trust to support the associated planned future LOBs issuances.

## Remaining Steps and Proposed Board Action

The proposed action is the final of two actions required by the Board for issuance of the proposed 2021 Schools Draw Program. At their July 20, 2021 regular meeting, the Board

of Education will consider a resolution to convey to the County the five School sites to be pledged as collateral, and authorize a lease arrangement to lease back from the County (at no cost) the same five School sites for the continued or future operation of a school on each respective site. The Local Government Commission will consider authorization of the 2021 Schools Draw Program at their August 3, 2021 regular meeting and the closing of the 2021 Schools Draw Program will take place August 10, 2021. The Board is scheduled to consider the appropriation of Schools FY 2022 capital projects at its August 16, 2021 Board meeting. At that time Schools staff will give a Board presentation summarizing the Schools projects to be funded by 2021 Schools Draw Program and answer any related Board questions on the Schools projects.

Upon conclusion of today's Public Hearing on this matter, the Board is asked to adopt the attached authorizing resolution regarding the proposed 2021 Schools Draw Program.

**Attachments:**

1. Presentation
2. Board Authorizing Resolution – 2021 Schools Draw Program
3. Installment Financing Agreement (Draft) – 2021 Schools Draw Program
4. Deed of Trust (Draft) – 2021 Schools Draw Program