



## Legislation Text

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### **Bond Resolution related to issuance of the City of Gainesville's Capital Improvement Refunding Notes, Series 2016A (CIRN 2016A) and Capital Improvement Revenue Notes, Series 2016B (CIRN 2016B) (B)**

**This item involves a request for the City Commission to adopt the proposed resolution authorizing the issuance of a note to provide financing for road construction projects (CIRN 2016B) and a companion refunding note (CIRN 2016A) to advance refund the outstanding Capital Improvement Revenue Note Series 2009, First Florida Governmental Financing Commission Improvement and Refunding Bonds, Series 2007, and First Florida Governmental Financing Commission Improvement and Refunding Bonds, Series 2005 and other costs necessary or incidental thereto. \*\*STAFF PRESENTATION 5 MINUTES\*\***

The FY 2011 to 2015 Capital Improvement Plan, approved by the City Commission on May 17, 2010, included approval of a \$4.3 million bond issue to fund roadwork through the local option gas tax. This bond was modified to \$5 million and delayed to FY 2014 as part of the FY 2013 to 2017 Capital Improvement Plan, approved by the City Commission on May 14, 2012. This loan was not issued during the anticipated time frame due to the adequate levels of funds from local option gas tax. The FY 2015 to 2019 Capital Improvement Plan, approved on July 23, 2014 included a note that this \$5 million loan would be issued during the FY 2015 to FY 2019 time period when the cash position indicated the need for additional capital funding for local option gas tax funded projects approved during this and prior Capital Improvement Plans.

At this time, the City has identified that this is the appropriate time to proceed with the \$5 million debt issue in order to fund previously approved capital improvement projects funded by the local option gas tax revenue.

Rates in the municipal bond market have fallen to the point where it is financially prudent to advance refund the City's outstanding Capital Improvement Revenue Note, Series 2009 (CIRN 2009), the First Florida Governmental Financing Commission Improvement and Refunding Bonds, Series 2007 (FFGFC 2007) and the First Florida Governmental Financing Commission Improvement and Refunding Bonds, Series 2005 (FFGFC 2005).

The callable portion of the CIRN 2009 is outstanding in the principal amount of \$8,345,000 and has an initial call date of May 1, 2019. The callable portion of the FFGFC 2007 is outstanding in the principal amount of \$915,000 and has an initial call date of July 1, 2017. The callable portion of the FFGFC 2005 is outstanding in the principal amount of \$3,315,000 and can be called at any time.

In order to save on issuance costs, it was determined that combining these refundings with the issuance of the new \$5 million debt issuance would be in the City's best interest. Public Financial Management (PFM), the City's financial advisor, prepared a request for proposals to identify the financial institution that could provide such an issuance at the most attractive terms. The City received five proposals which were reviewed with staff, PFM and Bond Counsel. TD Bank was determined to have provided the best combination of interest rates and terms for the City on both the CIRN 2016A and CIRN 2016B. Given the volatile nature of interest rates, PFM and staff believed that locking in the interest rate subject to City Commission approval was the prudent course

of action. On March 14, 2016, the City executed a rate lock agreement which holds the interest rates through closing at 2.30% for the CIRN 2016A and 2.4% for the 2.40% CIRN 2016B. This rate lock agreement will be null and void with no financial penalty if the City Commission does not approve TD Bank as the loan provider.

The CIRN 2016A will include \$11.92 million to refund the issues listed above. \$1.6 million of the CIRN 2009 is unspent at this time and cannot be directly refunded. The City will use those unspent proceeds to help fund the refunding escrow, reducing the required refunding loan from \$13.52 million to the recommended \$11.92 million. The CIRN 2016B will include \$5 million of new funding for road projects and \$1.6 million to fund the projects previously funded from the CIRN 2009 that were unspent at the time of the refunding (replacing the CIRN 2009 funding with CIRN 2016B funding).

Based on the locked interest rates, PFM estimates that the City will realize \$1.073 million of net present value debt service savings, net of all costs associated with the transaction or 8.53% of the refunded bonds par amount. The nominal debt service savings over the twelve year period is approximately \$1.44 million.

The City Commission: 1) adopt the proposed resolution authorizing issuance of the Capital Improvement Refunding Note Series 2016A and Capital Improvement Revenue Note Series 2016B, 2) authorize the Mayor, Mayor Pro Tem , Clerk of the Commission, City Attorney, Interim City Manager, Interim Administrative Services Director, and Finance Director to execute documents required to close the issues.