



Albemarle County

Legislation Text

File #: 17-161, **Version:** 1

AGENDA DATE: 2/1/2017

TITLE:

Albemarle County Debt Financing - 2017 General Obligation School Bonds

SUBJECT/PROPOSAL/REQUEST: Resolution approving a plan to finance certain school facility projects through the issuance of general obligation school bonds.

ITEM TYPE: Regular Action Item

STAFF CONTACT(S): Walker, Letteri, Kamptner, Burrell

PRESENTER (S): Davenport & Co., Financial Advisors

LEGAL REVIEW: Yes

REVIEWED BY: Douglas C. Walker

BACKGROUND: On July 6, 2016, the Board of Supervisors adopted a resolution authorizing the referendum on \$35,000,000 of general obligation (GO) school bonds and requesting the Circuit Court to order a bond referendum. The bond resolution provides for the sale of the bonds within certain parameters and delegates to the County Executive to finalize the sale of the bonds. The qualified voters of the County overwhelmingly supported the bond referendum in the election held on November 8, 2016 to finance various capital improvements for school purposes.

STRATEGIC PLAN: Prioritize, plan, and invest in critical infrastructure that responds to past and future changes and improves the capacity to serve community needs.

DISCUSSION: Qualified voters for Albemarle County decidedly approved a Bond Referendum at an election held on November 8, 2016, thus approving the financing of various capital improvements for school purposes. These GO bonds would be sold through a Public Sale in a maximum aggregate principal amount of \$35,000,000. Based on the County's current excellent triple-AAA credit rating, it is expected that the debt would be issued with AAA ratings. Recent Federal Open Market Committee (FOMC) meetings strongly indicate that U.S. interest rates are set to increase in 2017. Therefore, there is risk of higher interest rates if the bonds are not sold now in this near historically low interest rate environment. There are also certain economies of scale gained with respect to offsetting future costs of issuance by selling both lease revenue and GO bonds concurrently. Further, issuing the GO bonds in FY17 relieves the County from using its unrestricted cash to fund the projects upfront, therefore, strengthening the County's cash position. The attached resolution (Attachment A) is necessary to advance this borrowing plan. All financial documents referenced are available for Board and public review in the Board Clerk's Office.

BUDGET IMPACT: Although the initial FY18 Capital Improvement Plan (CIP) fiscal plan developed last fall did not include debt service associated with the issuance of the General Obligation bonds in FY 18, interest rates are at favorably low levels. Staff recommends the additional debt service associated with this GO debt issuance be included in the proposed and adopted FY18 CIP budget, and the consideration of the one-time

use of FY16 excess fund balance as a source of funding in FY18. This financing adheres to the County's financial policies regarding debt limits, debt capacity, debt affordability, and debt repayment standards.

RECOMMENDATION:

Staff recommends that the Board adopt the attached Resolution (Attachment A) authorizing the proposed plan of GO school bond financing.

ATTACHMENTS:

Attachment A - Resolution