



CITY OF HARRISONBURG  
**FINANCE  
& PURCHASING**

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TO: Eric D. Campbell, City Manager  
FROM: Larry L. Propst, Director of Finance  
DATE: February 3, 2020  
RE: Resolution for the Issuance of General Obligation Bonds

**Summary:** Consider approving a resolution for the issuance of up to \$141 million in general obligation bonds that will finance construction of the new high school and several other capital projects and for the issuance of up to \$84 million for the potential refinancing of existing bonds to lower future debt service costs.

**Background:** City Council is required to approve a bond resolution for the issuance of general obligation bonds. The proceeds from this issuance will be used to fund (i) construction of the new high school and related infrastructure improvements, (ii) construction of a new public works building and (iii) construction of water lines primarily for the eastern source water line project. The public works building will also include space for a Police Department substation and storage for the Fire Department. The city has also identified various existing outstanding bonds for potential refinancing that would provide debt service savings to the city.

**Key Issues:** The bonds will be issued only in an amount sufficient to fund the cost of the projects and to pay for the cost of issuing the bonds. The not-to-exceed amount includes certain estimates and assumptions for the cost of issuing the bonds and for original issue discount. The not-to-exceed amount for the new projects is comprised of the following:

- New High School Construction Project - \$104,800,000
- New Public Works Building - \$5,700,000
- Water Lines and Other Infrastructure - \$15,000,000
- Allowance for issuance costs and original issue discount - \$15,500,000
- Total – \$141,000,000

In terms of the potential refinancing, the city has identified seven potential existing bond series that are providing some level of debt service savings based on recent interest rates. Some of the identified existing bonds are generating more savings than others and ultimately the city may refinance all, some or none of the identified bonds. In consultation with the city's financial advisors, staff would like to have as much flexibility as possible to maximize any potential refinancing opportunities.

**Environmental Impact:** None.

**Fiscal Impact:** Staff intends to structure the debt payments so that the payments are phased in over two fiscal years with full-year debt payments scheduled for Fiscal Year 2022. Once fully phased in and depending on market rates of interest, the annual debt payment will be approximately \$6.1 million to \$6.3 million for the new high school, approximately \$425,000-\$475,000 for the new public works building and \$950,000-\$1,000,000 for the eastern source water line project. The debt payments for the public works building and eastern source water line projects are subject to change further as staff fine tunes the bond maturity dates of these two projects.

**Prior Actions:** City Council approved at its December 10, 2019 meeting the construction of the new high school and entering into a comprehensive agreement with Nielsen Builders. The Harrisonburg City School Board adopted a resolution on January 21, 2020 requesting that the Harrisonburg City Council approve the issuance of general obligation bonds to finance the new high school project. City Council held a public hearing on January 28, 2020 regarding the issuance of the bonds. The public works building and the water line projects have been included in the Capital Improvements Program for a number of years.

**Alternatives:** None.

**Community Engagement:** None.

**Recommendation:** Staff recommends approval of the resolution.

**Attachments:** Bond Resolution.

**Review:**

*The initiating Department Director will place in Legistar, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda. The completion of review only addresses the readiness of the issue for Council consideration. This does not address the recommendation for approval or denial of the issue.*

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