



CITY OF HARRISONBURG
**FINANCE
& PURCHASING**

409 SOUTH MAIN STREET, 3RD FLOOR
HARRISONBURG, VA 22801

FINANCE OFFICE (540) 432-7702 • FAX (540) 432-7779
PURCHASING OFFICE (540) 432-7794 • FAX (540) 432-7779

TO: Eric D. Campbell, City Manager
FROM: Larry L. Propst, Director of Finance
DATE: July 15, 2021
RE: Resolution for the Issuance of General Obligation Bonds

Summary: Consider approving a resolution for the issuance of up to \$127.5 million in general obligation bonds that will finance construction of the new high school and the eastern source supply project and for the issuance of up to \$62.5 million for the potential refinancing of existing bonds to lower future debt service costs.

Background: City Council originally approved a bond resolution for the issuance of general obligation bonds in 2020. This resolution reaffirms the bond resolution that was approved. The proceeds from this issuance will be used to fund construction of the new high school and related infrastructure improvements and construction of water lines and other related infrastructure primarily for the eastern source water supply project. 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 \$127.5 million in project funding bonds and the \$62.5 million in refinancing bonds are not-to-exceed amounts. The resolution approved in 2020 for the project funds approved a not-to-exceed amount of \$141 million. The City issued bonds in the amount of \$13.5 million in June 2020 in the form of a bank loan which when subtracted from the original 2020 approved resolution of \$141 million leaves \$127.5 million remaining as a not-to-exceed amount.

In terms of the potential refinancing, eight existing series of bonds have been identified 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 2023. Once fully phased in and depending on market rates of interest, the annual debt payment will be approximately \$6 million for the new high school and \$1.2 million for the eastern source water supply project.

Based on recent market rates of interest, the potential refinancing of existing bonds is generating approximately \$5.4 million in total debt service savings over on average the next ten years. These savings will in varying amounts accrue to the General Fund, Water Fund and Sanitation Fund, as well as, to the Harrisonburg Redevelopment and Housing Authority.

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 approved 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. City Council approved an initial bond resolution on February 11, 2020. At its July 13, 2021

meeting, City Council approved Change Order 5 with Nielsen Construction to resume construction of the new high school.

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.

###