



# City of Harrisonburg, Virginia

## Department of Finance

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TO: Kurt Hodgen, City Manager  
FROM: Larry Propst, Director of Finance  
DATE: March 14, 2016  
RE: Public Hearing for the Issuance of General Obligation Bonds

**Summary:** Consider approving a resolution for the issuance of up to \$50 million in general obligation bonds that will primarily finance several school capital projects.

**Background:** The City is required by the Code of Virginia to hold a public hearing in advance of the issuance of general obligation debt. The proceeds from this issuance will be used to fund (i) the design, construction and equipping of a new elementary school with related infrastructure, (ii) the design, construction and equipping of a pre-kindergarten facility with related infrastructure, (iii) the design and construction of bicycle and pedestrian trails associated with the construction of the new elementary school and (iv) HVAC replacement at Thomas Harrison Middle School.

**Key Issues:** The approval of the resolution will allow staff to move forward with the issuance of the general obligation bonds through a competitive public sale. The bonds will be issued in a sufficient amount to fund the cost of the projects and to pay for the cost of issuing the bonds. The not-to-exceed amount in the resolution includes certain estimates and assumptions that are reserved only for the bond issuance and are not intended to be used for project funding. This not-to-exceed amount is comprised of the following:

- School Construction Projects - \$33,600,000
- Thomas Harrison Middle School HVAC - \$4,400,000
- Trails/Street Improvements (City Portion) - \$2,100,000
- Construction Contingencies - \$4,000,000
- Cost of issuance (including underwriters discount) - \$580,000
- Allowance for original issue discount/rounding - \$5,320,000

**Environmental Impact:** None

**Fiscal Impact:** Based on estimates from the bond market on March 2, 2016 provided by the City's financial advisors, annual debt service to fund all projects could be as much as \$2.6 million annually. This is subject to change as interest rates fluctuate on a daily basis, the ultimate sizing of the bond issue and finalizing the principal repayment dates.

**Prior Actions:** The Harrisonburg City School Board adopted a resolution on February 2, 2016 requesting that the Harrisonburg City Council approve the issuance of general obligation bonds to finance the various school capital projects

**Alternatives:** (a) Partially approving the resolution by removing any of the projects listed in the resolution.  
(b) Do not approve the resolution.

**Community Engagement:** The public hearing was advertised in the Daily News-Record on March 8, 2016 and March 15, 2016.

**Recommendation:** Staff recommends approving the resolution.

**Attachments:** The public hearing was advertised in the Daily News-Record on March 8, 2016 and March 15, 2016.

**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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