



**HISTORIC
FRANKLIN
TENNESSEE**

DATE: April 24, 2019

TO: Members of the Budget & Finance Committee

FROM: Eric Stuckey, City Administrator
Kristine Tallent, Assistant City Administrator/CFO

RE: Update on the Issuance of the Series 2019 A&B Bonds

On March 12, 2019, BOMA adopted Resolutions 2019-12 and 2019-13 authorizing the issuance of the Series 2019 A&B General Obligation Bonds for the purposes of funding new capital projects in the amount of \$34,015,000 and refunding the City's outstanding Series 2009B Build America Bonds in the amount of \$26,280,000. Prior to the Board's action, the State of Tennessee Comptroller's Office approved the Plan of Refunding on February 12, 2019, as proposed by city staff. Following the approval of the bond resolutions, staff applied for bond ratings. Both Moody's and Standard & Poor's assigned their highest rating of Aaa and AAA, respectively, to the 2019 Bonds and affirmed the same ratings on the City's outstanding general obligation debt.

At 9am CT on Wednesday, April 17, 2019, the City accepted competitive bids for the award of the Series 2019 A&B New Money and Refunding Bonds. The Bonds were awarded to the firm that offered the lowest true interest cost, which is a calculation inclusive of both interest expense and underwriter's fees. We received 12 qualifying bids with Citigroup offering the lowest true interest cost of 2.415753% as calculated for the combination of both series of bonds. Staff is extremely pleased with the significant interest from almost all of the major underwriting firms of tax exempt debt as well as the tight nature of the bids, which ranged from 2.415753% to a high bid of 2.480658%. This spread of approximately 6.5 basis points is close and reflects the high level of interest from investors in purchasing the City's first public offering since 2017.

For the Series 2019A, which will fund new capital projects including Franklin Road and part of McEwen Phase 4, we will issue bonds of \$29,585,000 and receive proceeds to fund projects of \$34,015,000. (The difference between the par amount of the bonds and the proceeds is due to original issue premium of just under \$4.6 million.) The true interest cost of the Series A Bonds is 2.683868% with an average life of the issue of 10.486 years. First principal payment occurs 3/1/2020 and for each year thereafter until final maturity on 3/1/2039.

For the Series 2019B, which will refund the City's Build America Bonds Series 2009B Bonds, we will issue bonds of \$22,940,000 and receive proceeds to satisfy the refunding requirements in the amount of \$26,670,360.70. (The difference between the par amount and the proceeds is due to original issue premium of just under \$3.9 million.) There is no penalty or premium due from the City for calling the 2009B Bonds prior to maturity. The true interest cost of the Series B Bonds is 1.830811% with an average life of the issue of 5.638 years. First principal payment occurs 3/1/2020 and for each year thereafter until final maturity on 3/1/2029. On a gross basis, the interest savings over the 10 year period is \$2,342,519, or \$2,097,985 on a present value basis. The percentage of savings of the refunded bonds is 7.994749%, which is considered to be significant.



(When we were able to advance refund tax exempt bonds, the % savings guidance was to move forward with a refunding once a 3% threshold was met.)

Upon recommendation of staff and the City's municipal advisor, PFM, Mayor Moore approved the award of the 2019 Bonds to the low bidder, Citigroup. Final debt service numbers have been incorporated into the City Administrator's Proposed Budget for presentation on May 9th at the Budget & Finance Committee meeting. The Official Statement was released on April 23, 2019, and we are preparing for closing on May 15th.