



Legislation Text

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DATE: September 6, 2019

TO: Board of Mayor and Aldermen

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

SUBJECT:

Consideration of Resolution 2019-87, A Resolution Authorizing The Issuance Of General Obligation Refunding Bonds Of The City Of Franklin, Tennessee In The Aggregate Principal Amount Of Not To Exceed \$41,500,000, In Multiple Series; Making Provision For The Issuance, Sale And Payment Of Said Bonds, Establishing The Terms Thereof And The Disposition Of Proceeds Therefrom; And Providing For The Levy Of Taxes For The Payment Of Principal Of, Premium, If Any, And Interest On The Bonds (Finance 08/08/19 4-0, WS 9/10/19)

Purpose

The purpose of this memorandum is to provide information to the Franklin Board of Mayor and Aldermen (BOMA) concerning a resolution to refinance two outstanding bonds that may be refinanced for debt service savings.

Background

In 2007, the City issued a \$20 million variable rate bond through the Franklin Public Building Authority for the purposes of financing costs for the new Police building. In the same year, the City entered into an interest rate swap agreement for the duration of the bond issue, with termination in 2037. The bonds are held by PNC Bank with a loan tender date of December 11, 2019, which requires action of the Board of Mayor and Aldermen to either extend the loan agreement with PNC Bank or refinance. Principal payments are scheduled annually from 2025 to 2037.

Moreover, in 2010, the City issued a taxable Recovery Zone Economic Development Bond in the amount of \$15,725,000 for the purposes of funding road improvements. Principal payments are scheduled annually from 2024 to 2030. These bonds are eligible for subsidy subject to annual funding by the federal government's budget and are eligible for early redemption without penalty on March 1, 2020.

In the State of Tennessee, local governments who wish to refinance debt must submit a Plan of Refunding to the Comptroller's Office for their review and approval prior to consideration of an authorizing resolution by the governing body. On August 20, 2019, staff submitted a Plan of Refunding and approval of the plan was documented on September 5, 2019 in the attached Report of the Director of the Office of State and Local Finance.

Financial Impact

Staff recommends refinancing the 2007 Bonds and restructuring its principal repayment schedule for first principal payment in 2022 versus 2025 with final maturity in 2032 versus 2037. Moreover, we recommend termination the interest rate swap agreement to allow for refinancing of the bonds as traditional fixed rate debt of the City of Franklin. As part of the refinancing, staff also recommends an appropriation of \$2.5 million from General Fund fund balance to partially pay the termination cost of the swap.

In addition, staff also recommends refinancing the 2010 Recovery Bonds as traditional fixed rate rate debt and restructuring of principal payments to begin two years earlier than planned (2022 versus 2024).

Estimated debt service savings over the life of the bonds is \$2.6 million for the combined refinancing, which is savings realized after payment of costs to issue the refunding bonds as well as the cash contribution towards payment of the swap termination.

Recommendation

Staff recommends discussion of the resolution authorizing the issuance of General Obligation Refunding Bonds at its September 10th work session and consideration for approval at the voting meeting on September 24th. Closing of the transaction would occur in late November 2019.