City of Franklin
109 3rd Ave S
Franklin, TN 37064
(615)791-3217

HISTORIC FRANKLIN TENNESSEE

Legislation Text

File #: 19-1200, **Version:** 1

DATE: November 15, 2019

TO: Board of Mayor and Aldermen

FROM: Kristine Brock, Assistant City Administrator/CFO

SUBJECT:
Report in Regards to Issuance of Series 2019 C&D General Obligation Refunding Bonds. (Finance 11/21/19)

Purpose

The purpose of this memo is to provide information to the Budget and Finance Committee concerning the pricing and closing for the City of Franklin Series 2019 C&D General Obligation Refunding Bonds.

Background

On September 24, 2019, BOMA adopted Resolution 2019-87 authorizing the issuance of the Series 2019 C&D General Obligation Refunding Bonds for the purposes of refunding the City's outstanding $15,725,000 Series 2010 Recovery Zone Economic Development Bonds and the Public Building Authority's 101-A-1 Bonds issued in 2007 and outstanding in the amount of $20,000,000. The Refunding Bonds also fund, in part, the termination cost associated with an interest rate swap outstanding until 2037 and related to the 2007 PBA Bonds. The average rate of the refunded bonds was 4.48%. Prior to the Board's action, the State of Tennessee Comptroller's Office approved the Plan of Refunding on September 20, 2019. Both Moody's and Standard & Poor's assigned their highest rating of Aaa and AAA, respectively, to the 2019 C&D GO Refunding Bonds and affirmed the same ratings on the City's outstanding general obligation debt.

At 9:30am CT on Tuesday, November 5th, 2019, the City accepted competitive bids for the award of the Series 2019 C Bonds (tax-exempt). We received 8 qualifying bids with BNYMellon offering the lowest rate of 1.737601%. At 10:00am CT, the City accepted 8 competitive bids for the Series 2019 D Bonds (taxable) with Robert W. Baird & Co. offering the lowest rate of 2.056838%. At the same time, the City terminated the interest rate swap agreement at a fair market value of $5,177,500 less a discount of 8% ($414,200) for a net payment of $4,763,300.

Financial Impact

The November 5th pricing results in debt service savings to the City of $3,136,284 over the remaining life of the refunding bonds and after considering the City's $2.5 million cash contribution toward the net termination of the swap. The first principal payment for the fixed rate refunding bonds occurs in 2022 with final principal due in 2032. Furthermore, the City is no longer exposed to risks associated with the end of the

LIBOR indices at the end of 2021 or the future of the swap counterparty, the German government owned bank holding company FMSW.

The issue was successfully closed on November 20th, 2019.

Recommendation

No action is required.