



IV.-C.

Agenda Item

County of Hanover

Board Meeting: September 9, 2015

Subject: Approval of Resolution to Refund Water and Sewer System Revenue Bonds, Series 2005A

Summary of Agenda Item: On January 26, 2005 the Board of Supervisors approved a resolution authorizing the issuance of Water and Sewer System Revenue Refunding Bonds in the principal amount of \$16,000,000 through the Virginia Resources Authority (VRA) pooled financing program. Since 2005 tax exempt interest rates have declined affording an opportunity to refund the Series 2005A bonds and reduce debt service. Based on current market interest rates, the County's financial advisor has identified a partial refunding opportunity of approximately \$7.4M of the Series 2005A bonds. The bonds will be refunded if the issuance generates a minimum net present value savings of 4% in accordance with the County financial regulations. Current market conditions indicate the opportunity for total net present value savings of up to 5%. If the bonds are refunded, a budget amendment would be required to recognize the debt proceeds, costs of issuance and refunding in the Public Utility fund. The attached resolution outlines the parameters for issuance of the refunding bonds, including a maximum interest rate of 4%. The Finance and Management Services Department concurs with this recommendation.

County Administrator's Recommended Board Motion: Motion to approve the attached Resolution to refund Water and Sewer System revenue bonds, Series 2005A through the 2014 VRA pooled financing program, and authorize the County administrator to take all actions necessary to proceed with the issue of the refunding bonds and administration of all matters related to the bonds, including execution of all necessary documents and budget amendments.

RESOLUTION PROVIDING FOR THE ISSUANCE, SALE AND AWARD OF A WATER AND SEWER SYSTEM REVENUE REFUNDING BOND, SERIES 2015, OF THE COUNTY OF HANOVER, VIRGINIA, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$9,000,000, PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF AND PROVIDING FOR THE REFUNDING OF A CERTAIN OUTSTANDING BOND

WHEREAS, on March 2, 2005, the County of Hanover, Virginia (the “County”), issued its \$14,065,000 Water and Sewer System Revenue Refunding Bond, Series 2005 (the “2005 Bond”);

WHEREAS, the Virginia Resources Authority (“VRA”) has advised the County that it may achieve debt service savings by refunding all or a portion of the outstanding principal amount of the 2005 Bond;

WHEREAS, the County desires to issue a refunding bond (the “Bond” as further described in Section 4 herein) to refund all or a portion of the 2005 Bond, subject to the terms and conditions herein, including a condition that the refunding achieve an aggregate net present value debt service savings of not less than 4.00% of the refunded par amount of the 2005 Bond (the “Targeted Savings”);

WHEREAS, the County and U.S. Bank National Association (the “Trustee”), as successor trustee to SunTrust Bank, have entered into an Agreement of Trust dated as of January 1, 1996, as previously supplemented and amended (the “Master Trust Agreement”);

WHEREAS, in compliance with the Master Trust Agreement, the County is authorized to issue additional bonds (“Additional Bonds”) secured on a parity with outstanding bonds issued thereunder to pay, among other things, the cost of refunding indebtedness;

WHEREAS, the County has applied to VRA for the purchase of the Bond, and VRA has indicated its willingness to purchase the Bond from the proceeds of one or more series of its Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program) (collectively, the “VRA Bonds”), in accordance with the terms of (a) a Local Bond Sale and Financing Agreement (the “Financing Agreement”), between VRA and the County, and (b) an Eleventh Supplemental Agreement of Trust (the “Eleventh Supplemental Agreement” and, together with the Master Trust Agreement, the “Trust Agreement”), between the County and the Trustee, the forms of which have been made available for this meeting of the County Board of Supervisors (the “Board”);

WHEREAS, VRA has advised the County that VRA’s objective is to pay the County a purchase price for the Bond (the “Purchase Price Objective”) that, in VRA’s judgment, reflects its market value taking into consideration such factors as the Targeted Savings, the purchase price received by VRA for the VRA Bonds, the issuance costs of the VRA Bonds (consisting of the underwriters’ discount and other costs incurred by VRA) and other market conditions relating to the sale of the VRA Bonds; and

WHEREAS, the Financing Agreement will provide that the terms of the Bond may not exceed the parameters set forth below in Section 4;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF HANOVER, VIRGINIA:

1. Issuance and Sale of Bond and Use of Proceeds. Pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the Public Finance Act of 1991, the Board hereby provides for the sale to VRA of a water and sewer system revenue refunding bond of the County (the “Bond”) to provide funds to refund all or a portion of the 2005 Bond and to pay issuance and financing costs incurred in issuing the Bond. The Bond shall be delivered to or upon the order of VRA upon VRA’s payment of the Purchase Price set forth in the Financing Agreement. Subject to the County Administrator’s determination of what will be in the County’s best interests, the Bond may be sold to VRA in connection with any sale date of the VRA Bonds occurring prior to January 1, 2016.

2. Authorization of Eleventh Supplemental Agreement. The form of the Eleventh Supplemental Agreement made available for this meeting is hereby approved. The County Administrator (the “County Administrator,” which term as used herein shall include any Deputy County Administrator and the Director of Finance and Management Services) is authorized to execute and deliver the Eleventh Supplemental Agreement to the Trustee in substantially such form, with such completions, omissions, insertions and changes not inconsistent with this resolution as may be approved by the County Administrator, whose approval shall be evidenced conclusively by the execution and delivery thereof.

3. Authorization of Financing Agreement. The form of the Financing Agreement made available for this meeting is hereby approved. The County Administrator is authorized to execute and deliver the Financing Agreement in substantially such form, with such completions, omissions, insertions and changes not inconsistent with this resolution as may be approved by the County Administrator, whose approval shall be evidenced conclusively by the execution and delivery thereof. The issuance and sale of the Bond to VRA shall be upon the terms and conditions set forth in the Trust Agreement and the Financing Agreement. The proceeds of the Bond shall be applied in the manner set forth in the Financing Agreement. All capitalized terms used but not otherwise defined herein shall have the same meanings as set forth in the Financing Agreement or the Trust Agreement, as applicable.

4. Bond Details. The Bond shall be issued as a single, registered bond, shall be designated “Water and Sewer System Revenue Refunding Bond, Series 2015,” shall be numbered R-1 and shall be dated the date that is 30 days prior to the closing date of the VRA Bonds. The Board authorizes the issuance and sale of the Bond to VRA on terms as shall be determined by VRA subject to VRA’s Purchase Price Objective and market conditions described in the Recitals hereof; provided, however, that the Bond shall be issued in an aggregate principal amount not to exceed \$9,000,000, shall have a “true” interest cost not to exceed 4.00% (exclusive of “Supplemental Interest” as provided in the Financing Agreement), shall be payable in principal installments ending not later than December 31, 2025, and shall be sold to VRA at a price not less than 98.0% of the aggregate principal amount of the Bond and that the refunding shall achieve at least the Targeted Savings. Subject to the preceding terms, the Board further authorizes the County Administrator to accept the final terms presented by VRA, including (a) the final principal amount of the Bond, (b) the amortization schedule (including the principal installment dates and amounts)

for the Bond, (c) the optional and extraordinary redemption provisions, if any, of the Bond and (d) the portions of the 2005 Bond to be refunded, all in such manner as the County Administrator shall determine to be in the best interests of the County.

As set forth in the Financing Agreement, the County agrees to pay such “Supplemental Interest” and other charges as provided therein, including such amounts as may be necessary to maintain or replenish the Capital Reserve Fund. The principal of and premium, if any, and interest on the Bond shall be payable in lawful money of the United States of America.

The actions of the County Administrator in accepting the final terms of the Bond shall be conclusive, and no further action shall be necessary on the part of the Board.

5. Payment and Redemption Provisions of Bond. The principal of and premium, if any, and interest on the Bond shall be payable as set forth in the Bond and the Financing Agreement. The County may, at its option, redeem, prepay or refund the Bond upon the terms set forth in the Financing Agreement.

6. Pledge of Net Revenues; Parity. The principal of and premium, if any, and interest on the Bond and any other amounts due under the Financing Agreement shall be payable solely from Net Revenues pledged thereto upon the terms and conditions set forth in the Trust Agreement. Nothing in the Trust Agreement, the Financing Agreement, the Bond or this resolution shall be deemed to create or constitute an indebtedness of or a pledge of the faith and credit of the Commonwealth of Virginia or of any county, city, town or other political subdivision of the Commonwealth, including the County. The Bond shall be issued as an Additional Bond and shall be secured on a parity as to the pledge of Net Revenues with the outstanding principal balance of the County’s \$920,400 Water and Sewer System Revenue Bond, Series 2002A, the unrefunded portion, if any, of its \$14,065,000 Water and Sewer System Revenue Refunding Bond, Series 2005, its \$9,000,000 Water and Sewer System Revenue Bond, Series 2006, its \$616,206 Water and Sewer System Revenue Bond, Series 2007, and its \$6,420,000 Water and Sewer System Revenue Refunding Bond, Series 2014 (collectively, the “Outstanding Parity Bonds”). Additional bonds secured on a parity with the Bond and the Outstanding Parity Bonds as to the pledge of Net Revenues may be issued under the terms of the Trust Agreement.

7. Preparation and Delivery of Bond. The County Administrator is authorized and directed to take all proper steps to have the Bond prepared and executed in accordance with its terms and the Trust Agreement and to deliver the Bond to VRA as the purchaser thereof upon receipt of the Purchase Price from VRA as set forth in the Financing Agreement.

8. Arbitrage Covenants. The County covenants that it shall not take or omit to take any action the taking or omission of which will cause the VRA Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations issued pursuant thereto (the “Code”), or otherwise cause interest on the VRA Bonds to be includable in the gross income of the registered owners thereof under existing law. Without limiting the generality of the foregoing, the County shall comply with any provision of the Tax Compliance Agreement (as hereinafter defined) that may require the County at any time to rebate to the United States any part of the earnings derived from the investment of the gross proceeds of the Bond, unless the County receives an opinion of nationally recognized bond counsel that such compliance is not required to prevent interest on the VRA Bonds from being included in the gross

income for federal income tax purposes of the registered owners thereof under existing law. The County shall pay any such required rebate from legally available funds.

9. Tax Compliance Agreement. Such officers of the County as may be requested are authorized and directed to execute and deliver a nonarbitrage certificate and tax compliance agreement (the "Tax Compliance Agreement") in a form not inconsistent with this resolution as may be approved by the officers of the County executing such document, whose approval shall be evidenced conclusively by the execution and delivery thereof.

10. Private Activity Bond Covenant. The County covenants that it shall not permit the proceeds of the Bond to be used in any manner that would result in (a) 5% or more of such proceeds or facilities refinanced therewith being used in any trade or business carried on by any person other than a governmental unit, as provided in Section 141(b) of the Code, (b) 5% or more of such proceeds or facilities refinanced therewith being used with respect to any output facility (other than a facility for the furnishing of water), within the meaning of Section 141 (b)(4) of the Code, or (c) 5% or more of such proceeds being used directly or indirectly to make or finance loans to any person other than a governmental unit, as provided in Section 141(c) of the Code; provided, however, that if the County receives an opinion of nationally recognized bond counsel that compliance with any such covenant is not required to prevent the interest on the VRA Bonds from being includable in the gross income for federal income tax purposes of the registered owners thereof under existing law, the County need not comply with such covenant.

11. Official Statement. The County authorizes and consents to the inclusion of information with respect to the County contained in VRA's Preliminary Official Statement and VRA's Official Statement in final form, both prepared in connection with the sale of the VRA Bonds. The County Administrator is authorized and directed to take whatever actions are necessary or appropriate to aid VRA in ensuring compliance with Securities and Exchange Commission Rule 15c2-12.

12. Redemption of 2005 Bond. The County Administrator is authorized and directed to take all proper steps to call for redemption such portion(s) of the 2005 Bond as shall be refunded on the date the Bond is issued and to prepare and deliver any such notices and correspondence necessary therefor. The County Administrator is authorized to approve changes to the 2005 Bond and related financing documents, including the execution and delivery of an allonge to the 2005 Bond and an amendment to the Financing Agreement dated as of February 1, 2005, between VRA and the County, as may be necessary to provide for the unrefunded portion, if any, of the 2005 Bond. The County Administrator is authorized to affix the County's seal on any such documents and attest the same.

13. SNAP Investment Authorization. The Board has heretofore received and reviewed the Information Statement describing the State Non-Arbitrage Program of the Commonwealth of Virginia ("SNAP") and the Contract Creating the State Non-Arbitrage Program Pool I (the "Contract"), and the Board has determined to authorize the County Treasurer to utilize SNAP in connection with the investment of the proceeds of the Bond, if the County Administrator, in consultation with the County Treasurer, determines that the utilization of SNAP is in the best interest of the County. The Board acknowledges the Treasury Board of the Commonwealth of Virginia is not, and shall not be, in any way liable to the County in connection with SNAP, except as otherwise provided in the Contract.

14. Other Actions. All other actions of officers of the County in conformity with the purposes and intent of this resolution and in furtherance of the issuance and sale of the Bond are ratified, approved and confirmed. The officers of the County are authorized and directed to execute and deliver all certificates and other instruments considered necessary or desirable in connection with the issuance, sale and delivery of the Bond pursuant to this resolution and the Financing Agreement.

15. Effective Date. This Resolution shall become effective immediately.