

TOWN OF PALM BEACH

Information for Town Council Meeting on: August 15, 2018

To: Mayor and Town Council

Via: Kirk Blouin, Town Manager

From: Jane Le Clainche, Director of Finance

Re: General Obligation Bond Resolution for the Underground Utility Project
Resolution No. 120-2018

Date: August 3, 2018

STAFF RECOMMENDATION

Staff requests Town Council approval of Resolution No. 120-2018, which authorizes the issuance of up to \$60,000,000 of general obligation bonds (the “Bonds”) for the Underground Utility Project.

GENERAL INFORMATION

On March 15, 2016, the voters approved a bond referendum to issue up to \$90,000,000 of general obligation bonds to finance the costs of the town-wide underground utility project. A lawsuit challenging the bond referendum delayed the issuance of general obligation bonds. The Town has prevailed in the lawsuit and is now in a position to issue the first series of such bonds. Due to the uncertainty with future interest rates, we believe it is important to issue these bonds now to lock in the current rates.

Resolution No. 120-2018 authorizes the issuance of up to \$60,000,000 of Bonds. At a later date, up to \$30,000,000 of general obligation bonds authorized by the voters are expected to be issued for the later stages of the Underground Utility Project subject to further proceedings of the Town Council.

The Bonds are general obligations of the Town for which the full faith and credit and taxing power of the Town are pledged. The Bonds are payable first from non-ad valorem special assessments imposed in connection with the Underground Utility Project, and, to the extent such non-ad valorem special assessments are insufficient to pay debt service or not assessed, ad valorem taxes levied and collected in the Town (without limitation as to rate or amount) on all taxable property in the Town sufficient to pay principal of and interest on such Bonds as the same become due and payable. The Town may apply other legally available sources of revenues to the payment of the Bonds.

The Resolution delegates authority to the Mayor or Town Manager to award the Bonds and execute the Bond Purchase Agreement at a true interest cost not to exceed 5.00%. Based on current market conditions, according to the Town’s Financial Advisor, the true interest cost is

expected to be below 4.00% but is subject to change as market conditions fluctuate. The final true interest cost will be set during the pricing of the Bonds, which is expected to happen in mid-September. Furthermore, the Resolution approves the Preliminary Official Statement and the Bond Purchase Agreement in substantially the forms attached.

The proceeds of the Bonds will retire the Commercial Paper Notes and are expected to fund up to three years of Underground Utility Project costs and pay costs of issuance.

The Town's Financial Advisor, Mr. Jay Glover with PFM, will be in attendance to make a brief presentation regarding the financing and provide an update on the current market conditions. Also in attendance to answer any questions the Town Council may have will be Robert Wilkins, attorney from Jones, Foster, Johnston and Stubbs, Richard Miller, bond counsel with Locke Lord LLP, and Michael Hole, with Citi, the Town's Underwriter.

If the Town Council approves the Resolution, staff will be meeting with the rating agencies later in August and will be able to market the bonds in mid-September with a final closing in early October.

We also plan to issue prepayment notices in the next two weeks to the remaining property owners with special assessments to allow them to prepay the assessment. We have received \$11,559,490 in prepaid assessments to date. There will be one other opportunity to prepay before we issue the second series of bonds. Once the second series of bonds are issued, prepayments will be accepted, but interest through the time the town can next pay down the debt and any costs will be included in the prepayment amount.

TOWN ATTORNEY REVIEW

The Town's Bond Counsel, Locke Lord LLP, prepared the attached Resolution.

FUNDING/FISCAL IMPACT

Special Assessments are expected to be the primary source of payment of debt service on the Bonds.

Attachments

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cc: John C. Randolph, Town Attorney
Richard Miller, Locke Lord LLP
Jay Glover, PFM
Michael Hole, Citigroup