



TO: T.C. Broadnax, City Manager
FROM: Andy Cherullo, Finance Director, Finance Department
COPY: City Council and City Clerk
SUBJECT: Ordinance for the Issuance of Solid Waste Revenue Bonds
DATE: January 6, 2015

SUMMARY:

This Ordinance provides for the issuance of solid waste revenue (the “Bonds”) in an aggregate principal amount not to exceed \$75,000,000. The Bonds will be used to: (1) to pay part of the costs of the capital improvement program for the System, (2) fund the debt service reserve fund, and (3) pay costs of issuing the bonds.

STRATEGIC POLICY PRIORITY:

- Strengthen and maintain a strong fiscal management position.
- Foster neighborhood, community, and economic development vitality and sustainability.

Infrastructure replacement of the solid waste fleet is the primary focus of ongoing capital plans to be funded out of bond proceeds based on the asset management program. It is in the best interest of the City and ratepayers for the City to issue bonds and use the proceeds to fund capital improvements to the solid waste system.

BACKGROUND:

Staff has been working with bond counsel to draft the Official Statement which provides information concerning the City, the Bonds and the City’s solid waste system for the collection and disposal of garbage and recycling (the “System”). The Bonds are secured by a pledge of the Revenue of the System after payment of the Cost of Maintenance and Operation. The Bonds are issued with a lien on Net Revenue of the System on parity with the following System obligations:

- Solid Waste Utility Revenue Bonds, 2006 Series A (the “2006 A Bonds”) currently outstanding in the aggregate principal amount of \$28,455,000,
- Solid Waste Utility Revenue Refunding Bonds, 2006 Series B currently outstanding in the aggregate principal amount of \$21,975,000, and
- Solid Waste Utility Revenue Refunding Bonds, 2008 (the “2008 Bonds”) currently outstanding in the aggregate principal amount of \$7,635,000.

ISSUES:

Security: The Bonds are special revenue obligations of the System. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Bonds. The Bonds are not obligations of the State or any political subdivision thereof other than the City.

Pledge: The Bonds are secured by a pledge of the Revenue of the System after payment of the Cost of Maintenance and Operation. The lien of the Bonds on Net Revenue is equal to the lien securing the Outstanding Parity Bonds and is superior to all other charges of any kind.

Rate Covenant: The City has covenanted to establish, maintain and collect lawful rates and charges for the use of the services and facilities of the System and all commodities sold, furnished or supplied by the System, and shall adjust such rates and charges from time to time so that: (a) revenue of the system will at all times be sufficient (i) to pay all costs of and charges and expenses in connection with the proper



operation and maintenance of the System, (ii) to pay the principal of, interest on and any Sinking Fund Requirements for the outstanding Parity Bonds, as and when the same shall become due and payable, (iii) to make when due all payments which the City is obligated to make into the Reserve Fund, (iv) to make all other payments which the City is obligated to make pursuant to the Bond Ordinance and (v) to pay all taxes, assessments or other governmental charges lawfully imposed on the System or the revenue therefrom or payments in lieu thereof and any and all other amounts which the City may now and hereafter become obligated to pay from the Revenue of the System by law or contract; and the City has covenanted that those rates or charges will be sufficient to provide Net Revenues in any calendar year in an amount equal to at least 1.25 times the Annual Debt Service.

Delegation: As drafted, the City Council will delegate authority to the Finance Director and City Treasurer for a limited time, to approve the interest rates, maturity dates, redemption terms and principal maturities and other terms for the Bonds within the parameters set by this ordinance.

ALTERNATIVES:

The City could choose not to issue the Bonds which would impact the Environmental Services Department's capital program. Infrastructure replacement of the solid waste fleet is the primary focus of ongoing capital plans to be funded out of bond proceeds based on the pilot program assessment of the fuel savings and reduced environmental impact. The result of not funding capital plans would mean deferring the opportunity to capture these benefits until much later.

RECOMMENDATION:

Staff recommends that the Council approve the Ordinance for the issuance of solid waste revenue bonds.



FISCAL IMPACT:

If you are making a commitment on the City’s behalf to receive or expend funds, then the fiscal impact section should be completed. If this does not apply, enter “There is no fiscal impact” and delete everything below this line. If you are unsure, please contact the Budget Office. If the action is to accept a donation, you do not need to complete the fiscal impact section, just note the estimated value of the donation in the background section.

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
4200-15CON (Solid Waste 2015 Bond Construction Fund)	Various capital projects	Various cost elements	\$22,000,000
TOTAL			\$22,000,000

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
4200-15CON (Solid Waste 2015 Bond Construction Fund)			\$22,000,000
TOTAL			\$22,000,000

POTENTIAL POSITION IMPACT:

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
N/A			
TOTAL			

This section should only be completed if a subsequent request will be made to increase or decrease the current position count.

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: Budgeted for 2015-2016

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED: N/A