

# **PUBLIC WORKS COMMISSION**

**PROPOSED  
SERIES 2014 REVENUE BONDS  
BRIEFING  
COUNCIL WORK SESSION  
JUNE 2, 2014**

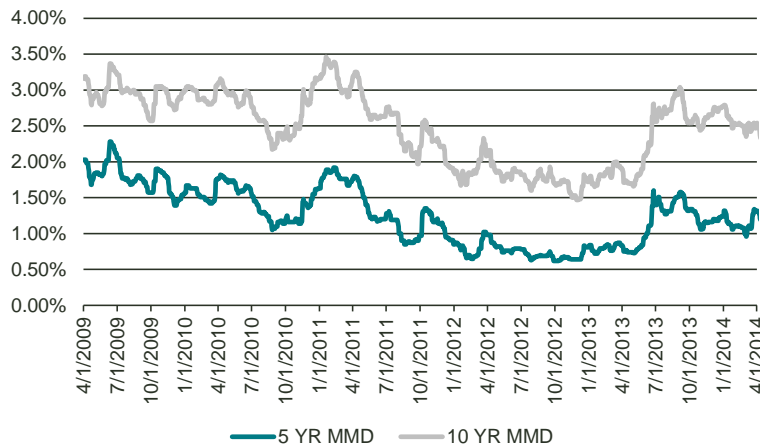
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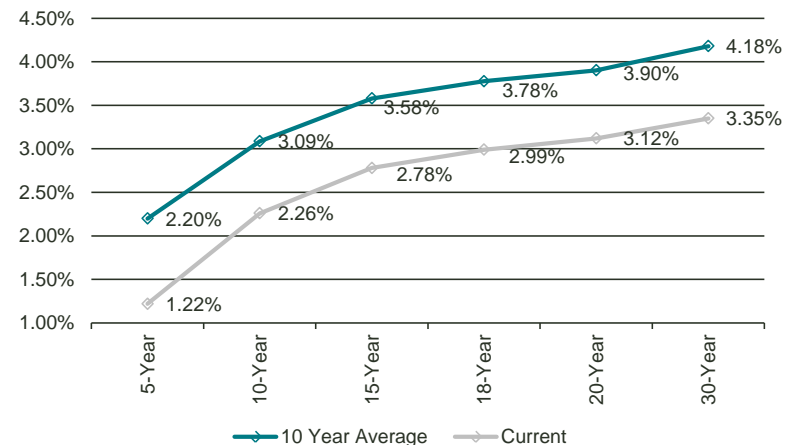
# Bond Market Conditions

- The Thomson Municipal Market Data AAA Curve (“MMD”) is the benchmark yield curve for tax exempt rates in the municipal marketplace.
- First Tryon has included a comparison of the 5 and 10 year MMD below, showing that while tax exempt municipal interest rates have trended higher over the past 12 months, rates remain at attractive levels when compared to historical averages.

Historical 5 & 10 Year MMD



10 Year Averages vs Current MMD



# Projects to be Constructed

Description	Total spent as of 6/30/13	Total spent 7/1/13-3/31/14	Remaining FY14 Budget	FY 15 Budget	FY 16 Budget	FY 17 Budget	Total Project Cost
Annex V, Area 8 - Preliminary engineering	354,608	-	-	-	-	-	354,608
Annex V, Area 9 - Preliminary engineering	265,652	-	-	-	-	-	265,652
Annex V, Area 9 - Bedford area	187,470	100	-	-	-	▼	187,569
Annex V, Area 10E & 10W	4,527,009	180,375	-	-	-	-	4,707,384
Annex V, Area 11N & 11S	4,779,478	187	-	-	-	-	4,779,665
Annex V, Area 12	1,565,392	1,286,319	830,495	-	-	-	3,682,206
Annex V, Area 13	959,992	1,881,784	428,385	-	-	-	3,270,160
Annex V, Area 14	230,188	579,623	1,586,877	1,129,700	-	-	3,526,388
Annex V, Area 15	229,000	66,520	1,900,980	1,068,600	-	-	3,265,100
	<b>13,098,788</b>	<b>3,994,908</b>	<b>4,746,736</b>	<b>2,198,300</b>	-	-	<b>24,038,732</b>
Morganton Road Turn Lane, WM Replacement	640,048	1,190	-	-	-	-	641,238
Lift Station #9 & #69	310,756	5,349	-	-	-	-	316,105
Rehabilitate 54" Outfall @ Bramblegate	337,562	-	-	-	-	-	337,562
Rehabilitate 48" Outfall @ George Owen, Ph I	514,014	-	-	-	-	-	514,014
Rehabilitate 48" Outfall @ Red Mill Lane	420,702	-	-	-	-	-	420,702
Water Distribution System Rehab*	842,065	2,063,505	936,495	4,100,000	4,500,000	-	12,442,065
Glenville Lake Dam Spillway Repl	506,970	30,344	169,656	3,155,000	513,000	-	4,374,970
PO Hoffer WTF Capacity Expansion Ph 1B	-	-	-	280,000	1,645,000	704,000	2,629,000
North Fayetteville Water System Impr	49,448	38,014	216,886	1,362,200	4,191,300	-	5,857,848
Doc Benett Rd Transmission Main	94,815	-	25,000	1,293,000	-	-	1,412,815
Relocation of 30" WM Off Cape Fear River Railroad	-	68,144	-	1,531,000	901,000	-	2,500,144
Sanitary Sewer Main Rehabilitation*	94,925	309,342	3,740,658	4,450,000	1,650,000	-	10,244,925
Legion Road Sewer Improvements	2,773	113,754	108,246	1,364,000	1,294,000	-	2,882,773
Relocation of 12" Sewer Main Off Cape Fear River R	578	74,026	8,374	974,000	135,000	-	1,191,978
Rockfish Creek WRF Aeration Improvements	84,224	290,049	183,951	6,392,000	675,000	-	7,625,224
Smart Grid Program - Water.	-	535,220	2,227,780	7,162,000	7,016,000	-	16,941,000
	<b>3,898,878</b>	<b>3,528,938</b>	<b>7,617,045</b>	<b>32,063,200</b>	<b>22,520,300</b>	<b>704,000</b>	<b>70,332,361</b>
Smart Grid Program - Electric	-	848,961	6,038,039	5,186,000	4,654,000	-	16,727,000
Street Lights - LED Conversion	375,395	635,829	364,171	2,550,000	4,250,000	-	8,175,395
	<b>375,395</b>	<b>1,484,790</b>	<b>6,402,210</b>	<b>7,736,000</b>	<b>8,904,000</b>	-	<b>24,902,395</b>
<b>Total</b>	<b>17,373,061</b>	<b>9,008,635</b>	<b>18,765,992</b>	<b>41,997,500</b>	<b>31,424,300</b>	<b>704,000</b>	<b>119,273,488</b>

# Financing Timeline

DATE	TASK	RESPONSIBILITY
6/4/2014	Circulate first Draft of Bond Documents, Preliminary Official Statement	BC/Feas
6/11/2014	Due Diligence with LGC to review first draft of Bond Documents, Preliminary Official Statement	Working Group
6/11/2014	Fayetteville PWC meeting to request City adopt Findings Resolution and approve LGC application submission	PWC
6/12/2014	Submit Joint Legislative Committee Letter	BC
6/23/2014	City Council Meeting to adopt Findings Resolution and approve submission of LGC application	City
6/25/2014	Send Second Draft of Bond Documents, Preliminary Official Statement distributed to Working Group	BC/Feas
6/27/2014	Submit LGC Application	City/PWC
7/9/2014	Working Group conference call to review second draft of bond documents, Preliminary Official Statement	Working Group
7/14/2014	Send Bond Documents, Preliminary Official Statement to Rating Agencies	FTA
7/16/2014	Third draft of documents distributed	BC/Feas
7/17/2014- 7/18/2014	Conference Calls or Meetings with Rating Agencies	City/PWC/FTA
7/23/2014	Fayetteville PWC meeting to request City adoption of the Bond Order and resolution	PWC
<del>7/28/2014</del>	<del>City Council adopts Series Resolution</del>	<del>City/BC</del>
7/31/2014	Receive Ratings	FTA
8/4/2014	City Council adopts Series Resolution	City/BC
8/5/2014	LGC considers approval of the Bonds	LGC
8/7/2014	Publish Preliminary Official Statement / Notice of Sale	BC/FTA
8/26/2014	Bond Sale	Working Group
Week of 9/8/2014	Closing	Working Group

## Method of Sale

- PWC has traditionally sold its bonds through a negotiation process by first selecting an underwriting firm and then negotiating the interest rates on the bonds.
- Bond issuance volume is at very low levels, creating significant demand for highly rated bond issues.
- PWC is evaluating switching from a “negotiated” sale to a “competitive” sale process.
- The competitive sale approach would mirror the process used by the City of Fayetteville when it sells its General Obligation bonds.
- If at any point during the financing schedule, PWC should need to switch to a negotiated sale, it could do so quickly by selecting an underwriting firm.
- There are advantages and disadvantages to each approach:

# Method of Sale

## Advantages of Competitive Sale:

- Assures complete transparency for citizens and customers.
- The winning bid is based on which firm offers the lowest True Interest Cost (TIC) for the bonds. Competition among underwriters provides the incentive for keeping the interest cost for PWC as low as possible.
- A competitive sale will have a much larger pool of underwriting firms interested in the bond issue compared with a negotiated sale.
- Bond counsel will also draft the offering document, potentially limiting the expenses associated with the bond issue.

# Method of Sale

## Disadvantages of Competitive Sale:

- PWC would be one of the first utility systems in North Carolina to sell bonds through a competitive sale and there are risks associated with any new approach.
- Competitive sales require PWC to select a date for the sale on the LGC's calendar and thus limit the flexibility to shift the bid date on short notice. PWC will have the right to reject all bids, or cancel the sale entirely.
- While the expectation is that the competitive process will result in a lower interest rate, there is no guarantee that the final interest rate will be lower than what could have been achieved through a negotiated sale.



# Questions?