Agenda Action Form Overview

The Board is requested to approve/adopt two resolutions. The first resolution is for an installment financing agreement and certain related documents pursuant to G.S. 160A-20 and evidencing a public hearing. The second resolution is designating the Chief Financial Officer (CFO) of the County to declare official intent on behalf of the County to reimburse certain expenditures under U.S. Department of Treasury Regulations.

Background/Justification

The Board is requested to adopt the attached resolutions.

The first resolution makes certain determinations concerning a proposed installment financing pursuant to G.S. 160A-20. The proposed installment financing would be in an amount not to exceed $60,000,000 and would be used/issued for (a) refinancing a portion of the County's obligations pursuant to an Installment Financing Contract dated March 30, 2017 (e.g., the Judicial Building Renovations Project in the amount of $43.5M) with PNC Bank, National Association and (b) financing for the Detention Center POD, County's share of the Emergency Communications Center in the new Police Headquarters, Emergency Radio Communication Equipment, Detention Center Elevators, Renovation of the 7th Floor of the Administration Building II and Firefighting Vehicles (3) (collectively, the "Project"). The County will secure the repayment of the proposed financing by granting a security interest in a portion of the Project and certain related property. The BOCC is also requested to hold a public hearing on the proposed installment financing pursuant to G.S. 160A-20(g). Also, please note that the funding source for the debt service for the financing of the firefighting vehicles will be the Durham County Fire and Rescue (DCFR) Service Tax Fund.

The second resolution is designating the CFO of the County to declare official intent on behalf of the County to reimburse certain expenditures under the United States Department of Treasury Regulations. The normal process for projects being funded with debt is that expenditures begin before the debt issuance occurs. As such, reimbursement resolutions/forms need to be prepared before the expenditures begin on the funded projects that includes the funding source(s) of the projects and the intent for the County to reimburse what has been spent to date at the time of the issuance. If the intent to reimburse is not completed prior to spending occurring, the County cannot reimburse ourselves when the debt is issued to fund the projects. Please note that the County's Financial Advisor (FA) recommended that the County designate this task to the CFO. Per the FA, other large entities have designated this task to the CFO. As a result, spending can occur more timely because the CFO can prepare the reimbursement resolution/form and include it in the Finance project file and does not require waiting for Board approval of the intent.

Policy Impact

There is no policy impact. The first resolution is consistent with past actions. The second resolution designating the CFO of the County to declare official intent on behalf of the County to reimburse certain expenditures under the U.S. Treasury Regulations is a new request before the Board. In the past, reimbursement resolutions have had to go before the Board for approval as an agenda item for each and all Board approved capital projects being funded through debt issuances. The declaration of official intent on behalf of the County to reimburse certain expenditures under the U.S. Treasury Regulations is a technical issue that must occur for the County to be able to reimburse ourselves for funds spent prior to the debt issuance funding the projects. By designating the CFO to perform this task, the County is continuing to declare the official intent. However, it is one less “technical” item that the Board has to approve at Board meetings. If approved, going forward the declaration of intent on behalf of the County to reimburse certain expenditures under the U.S. Department of Treasury Regulations would be completed by the CFO and filed in Finance accordingly.

Procurement Background
N/A

Fiscal Impact
Even though interest rates are still low, they have risen. That combined with the uncertainty of the impact of the Tax Cuts and Jobs Act, County Finance thought it prudent to go ahead and refinance the $43.5M for the Judicial Building Renovation Project with the financing of the Detention Center POD, County’s share of the Emergency Communications Center in the new Police Department, Emergency Radio Communications Equipment, Detention Center Elevators, Renovation of the 7th Floor of the Administration Building II and Firefighting Vehicles with the total amount not to exceed $60M.

If the of declaration of intent on behalf of the County to reimburse certain expenditures under the U.S. Department of Treasury Regulations is not done for projects before spending occurs, the County cannot reimburse ourselves for funds spent prior to the debt issuance. The risk is that County funds would absorb these costs (e.g., through PAYGO funds, general funds, etc.) that were planned to be funded through the issuance of debt.

Recommendation
The County Manager, CFO and Deputy CFO recommend that the Board approve and adopt the resolution for the installment financing agreement and certain documents pursuant to G.S. 160A-20, hold the public hearing on the proposed installment financing pursuant to G.S. 160A-20(g) and approve and adopt the resolution designating the CFO of the County to declare official intent on behalf of the County to reimburse certain expenditures under the U.S. Department of Treasury Regulations.