

CITY OF CHARLOTTE
DEPARTMENT OF FINANCE & TREASURY
INTEROFFICE MEMORANDUM

TO: MAYOR LEWIS, CITY COUNCIL AND MANAGER GUETSCHOW
FROM: CHRISTINE K. MOSSNER, FINANCE DIRECTOR
SUBJECT: 2008 FACILITY BUILDING AND SITE BOND REFUNDING RESULTS
DATE: NOVEMBER 8, 2017

As you are aware, the city's 2008 Facility Building and Site Bonds are callable in the near future. This callable feature, gave us the opportunity to take advantage of the low interest rates currently available in the bond market, by refunding the bonds. The process of bond refunding is similar to refinancing your house, whereby the city issues new bonds (new mortgage) equivalent to pay off the old bonds (old mortgage). The goal for both refunding and refinancing is to take advantage of lower interest rates thereby saving money over the remaining life of the bonds (mortgage).

On Wednesday, October 11, the city held a very successful \$2,165,000 bond sale receiving 7 bids, from financial institutions all across the country. The successful bidder was Bernardi Securities of Chicago, Illinois. The refunding bonds have 2019 through 2032 maturities with a true interest cost of 2.277%. This is a reduction of 1.934% from the 4.211% true interest cost of the refunded 2008 bonds. The bond closing was held Thursday, November 2.

The city's net cumulative savings is projected to be \$318,094, over the life of the refunding bonds, with a net present value (NPV) of \$248,230. The NPV as a % of refunded bonds is 11.28%. These savings are significantly better than the projected NPV savings of \$156,914.

As part of the bond sale, the city went through a bond rating review by Standard & Poor's Rating Services (S&P). Bond ratings are similar to an individual's FICO score, in that they reflect a municipality's credit risk, which impacts the interest rates that can be obtained. In the review, the city maintained its "AA" municipal bond rating. This is a very good bond rating that reflects the city's strong capacity to meet financial commitments.

In its rating summary, S&P recognized Charlotte's strong management, with "good" financial policies and practices. Our strong budgetary performance and very strong budgetary flexibility, with an available fund balance in fiscal year 2016 of 81% of operating expenditures, as well as very strong liquidity with adequate debt and contingent liability position.

I think we can all agree that it is nice to receive positive financial news given the financial challenges we have faced over these past years and the tough budget decisions that are continually made.