



Legislation Text

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Resolution Authorizing the Issuance and Sale to the Virginia Resources Authority of the City of Hampton's Convention Center Refunding Revenue Bond in the Maximum Principal Amount Not to Exceed \$71,600,000 to Refund all or a Portion of the City's Convention Center Refunding Revenue Bonds, Series 2011 and 2012, and Providing for the Form, Details, Documentation and Payment of Such Bond

PURPOSE/BACKGROUND:

The City of Hampton participated in Virginia Resources Authority's (VRA's) Virginia Pooled Financing Program (VPFP) in spring 2011 and spring 2012, issuing a combined principal amount of \$86,210,000 through two loans. The two VPFP loans provided debt service savings to Hampton by refinancing bonds issued by the City in November 2002 that financed the construction of the Hampton Convention Center. Based on current estimated market interest rates, Hampton once again has an opportunity to refinance the Convention Center debt for debt service savings.

Based on current, estimated taxable market interest rates, a refinancing of the prior 2011 and 2012 loans is estimated to generate approximately \$9,480,000 in cash flow savings through reduced interest payments compared to the existing debt over the remaining life of the loans. Annually, the refinancing is estimated to produce savings of approximately \$846,000 in year one (FY 2020) and approximately \$575,000 in each year thereafter through maturity in FY 2035. The final maturity of the refinancing will not extend beyond the current final maturity of the 2011 and 2012 loans that are being refinanced. The refinancing is expected to close on November 20, 2019.

Discussion:

See Purpose/Background above.

Impact:

See Purpose/Background above.

Recommendation:

Approve the Resolution

WHEREAS, the Public Finance Act of 1991, Sections 15.2-2600 et seq. of the Code of Virginia of 1950, as amended (the "Public Finance Act"), permits the issuance of bonds, when authorized by the Council of the City (the "Council") of Hampton, Virginia (the "City"), at one time or from time to time, for among other purposes, to refund bonds or notes previously issued for capital projects;

WHEREAS, the City previously issued its Convention Center Revenue Bonds, Series 2002 in

the original principal amount of \$106,305,000 (the “Original Convention Center Bonds”), pursuant to an Indenture of Trust dated as of November 1, 2002 (the “Indenture”) between the City and U.S. Bank National Association, successor to Wachovia Bank, National Association, as Trustee (the “Trustee”), to fund the acquisition, construction and equipping of the City’s Convention Center and related projects;

WHEREAS, the City issued its \$52,460,000 Convention Center Refunding Revenue Bond, Series 2011 (the “2011 Bond”) to the Virginia Resources Authority (“VRA”) pursuant to the Indenture, as supplemented by a First Supplemental Indenture of Trust dated as of June 1, 2011 (the “First Supplemental Indenture”) between the Trustee and the City, and a Local Bond Sale and Financing Agreement dated as of April 15, 2011 (the “2011 VRA Financing Agreement”) between VRA and the City to refund \$61,395,000 in principal amount of the Original Convention Center Bonds for the purpose of achieving debt service savings and to restructure certain provisions of the Indenture;

WHEREAS, the City subsequently issued its \$33,750,000 Convention Center Refunding Revenue Bonds, Series 2012 (the “2012 Bond”) to VRA pursuant to the Indenture, as supplemented by a Second Supplemental Indenture of Trust dated as of June 1, 2012 (the “Second Supplemental Indenture”) between the Trustee and the City, and a Local Bond Sale and Financing Agreement dated as of April 30, 2012 (the “2012 VRA Financing Agreement”) between VRA and the City to refund for debt service savings \$38,150,000 in principal amount of the 2035 maturity of the Original Convention Center Bonds, excluding the 2029 sinking fund installment which had been previously refunded as part of the 2011 Bond financing with VRA;

WHEREAS, the Council has determined to issue and sell to VRA its Convention Center Refunding Revenue Bond, Series 2019 (the “Bond”), in the aggregate principal amount not to exceed \$71,600,000 to refund for debt service savings all or a portion of the outstanding principal amount of the 2011 Bond and the 2012 Bond as hereinafter provided (collectively, the “Refunded Bonds”);

WHEREAS, VRA has indicated its willingness to purchase the Bond from the proceeds of its Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program), Series 2019C (Taxable) (the “VRA Bonds”), in accordance with the terms of a Local Bond Sale and Financing Agreement to be dated on or about September 20, 2019 or such other date specified by VRA, between VRA and the City relating to the Bond (the “Financing Agreement”), such Bond to be issued pursuant to a Third Supplemental Indenture (the “Supplemental Indenture”) to the Indenture and the Master Indenture (herein defined);

WHEREAS, the Financing Agreement shall indicate that the City requested an amount sufficient to provide for the refunding of the Refunded Bonds plus local costs of issuance (or such other amount as may be requested in writing by the City and approved by VRA prior to the sale of the VRA Bonds) (the “Proceeds Requested”);

WHEREAS, VRA’s objective is to pay the City a purchase price for the Bond which, in VRA’s judgment, reflects its market value (the “VRA Purchase Price Objective”) taking into consideration the Proceeds Requested and such factors as the purchase price received by VRA for the VRA Bonds, the issuance costs of the VRA Bonds (consisting of the underwriters’ discount and other costs incurred by VRA, collectively the “VRA Costs”), and other market conditions relating to the sale of the VRA Bonds;

WHEREAS, VRA has advised the City that the sale of the VRA Bonds is tentatively scheduled for October 30, 2019, but, subject to market conditions, may occur prior to or after such date, and, in the event the Bond is not purchased by VRA on the scheduled sale date, the Bond may be sold to VRA under substantially the same terms and conditions on such other date;

WHEREAS, such factors are expected to result in the City receiving a purchase price other than the par amount of the Bond and consequently (i) the aggregate principal amount of the Bond may be greater than or less than the Proceeds Requested in order to receive an amount of proceeds that is substantially equal to the Proceeds Requested, or (ii) if the maximum authorized principal amount of the Bond set forth in this Resolution does not exceed the Proceeds Requested by at least the amount of the VRA Costs and any original issue discount, the amount to be paid to the City, given the Purchase Price Objective and market conditions, will be less than the Proceeds Requested;

WHEREAS, the foregoing arrangements with respect to the issuance of the Bond will be reflected in the following documents (the "Financing Documents"):

- (i) the Indenture, as previously supplemented and amended (the "Master Indenture");
- (ii) the Supplemental Indenture; and
- (iii) the Financing Agreement.

WHEREAS, the Financing Documents are to be in the forms approved by the officers of the City under the terms of this Resolution.

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF HAMPTON, VIRGINIA AS FOLLOWS:

§ 1. **Authorization of Bond; Security; Use of Proceeds.** The issuance of the Bond is authorized in the maximum principal amount not to exceed \$71,600,000 in order to (i) refund all or a portion of the Refunded Bonds, (ii) fund, if needed, reserves related to the Bond as required by VRA and the Master Indenture, and (iii) pay certain costs of issuance of the Bond, subject to the conditions set forth in Section 2 of this Resolution and VRA's Purchase Price Objective and market conditions described in the Recitals hereof. The Bond shall be designated "Convention Center Refunding Revenue Bond," and may also include such other term or terms as part of its designation as the officers herein authorized deem appropriate. The Bond shall be equally and ratably secured by the Net Revenues, as defined in the Master Indenture and the Financing Agreement, and certain of the funds and accounts created and or amended, as appropriate, by the Master Indenture, the Supplement Indenture, and the Financing Agreement. The Bond shall be in substantially the form of the 2011 Bond and 2012 Bond or such other form as VRA may require. The Bond may also be issued as more than one bond and in more than one series if desired by VRA with a designation in the plural. The Bond shall be dated as of its issuance date or such other date as VRA may require, shall mature on the date or dates, shall bear interest at the rate or rates payable semi-annually, and shall be subject to redemption as shall be set forth in the Financing Agreement and approved by the Director of Finance, with the approval of the City Manager. The Bond shall otherwise be prepared in accordance with the Master Indenture and the Financing Agreement. The City's seal may be affixed thereto and attested by the manual or facsimile signature of the Clerk of Council, and the Bond shall

be delivered to the Trustee for authentication. The Bond so executed and authenticated are to be delivered to VRA upon payment therefor.

§ 2. **Conditions to Issuance.** Notwithstanding any other provision in this resolution, the authorization herein granted is subject to the following conditions to be verified by the City's financial advisor: (i) the true interest cost of the Bond shall not exceed 3.75%, excluding any administrative or other fees imposed or assessed by VRA; (ii) the final maturity of the Bond shall not be later than the latest refunded maturity of the Refunded Bonds; (iii) the principal amount of the Bond shall not exceed the amount specified in Section 1 above; (iv) the Bond shall be issued at a sales price to VRA that will enable the City to receive proceeds in an amount substantially equal to the Proceeds Requested, subject to the limitation in clause (iii), and (v) the refunding of the Refunded Bonds shall result in net present value savings of at least 4.00%. Issuance of the Bond is also subject to satisfaction of the conditions for the issuance of parity refunding obligations under the Master Indenture.

The officers of the City are not authorized to issue the Bond under any circumstances in which any of the limitations set forth in this section would be exceeded or any other condition set forth herein has not been satisfied.

§ 3. **Refunding Provisions.** The Director of Finance, with the approval of City Manager, is authorized and directed to select the principal maturities of the Refunded Bonds or portions of such maturities to be refunded and to cause to be called for optional redemption any such maturity or portion thereof to be redeemed prior to its stated maturity in accordance with the provisions of such bonds subject to the debt service savings parameter set forth in Section 2 above. In connection with the refunding herein authorized, the Director of Finance, with the approval of City Manager, if determined necessary or appropriate in consultation with the Financial Advisor, is authorized to retain the services of independent consultants to provide verification reports (the "Verification Agent") on aspects of the refunding and is further authorized to retain the services of one or more escrow agents (the "Escrow Agent") and to enter into escrow agreements with them to the extent needed to hold proceeds of the Bond and other funds, and to purchase and hold investments as needed pending their application to refund the Refunded Bonds.

§ 4. **Terms and Conditions of Sale; Delegation of Authority.** Subject to Section 2 of this Resolution, the Council further authorizes the Director of Finance to accept the final terms presented by VRA, including (a) the final principal amount of the Bond, (b) the amortization schedule (including the principal installment dates and amounts) for the Bond, and (c) the optional and extraordinary redemption provisions, if any, of the Bond, all in such manner as the Director of Finance, with the approval of City Manager, shall determine to be in the best interests of the City.

The actions of the Director of Finance, with the approval of the City Manager, in selling the Bond shall be conclusive, and no further action shall be necessary on the part of the Council. This Resolution is intended to grant to the Director of Finance and the City Manager full and complete authority to finalize the terms of the Bond, to provide for its issuance and sale and to execute and deliver any and all documentation in connection therewith, including causing the redemption of all or a portion of the Refunded Bonds, without further approval by Council, consistent with the requirements of this Resolution, the Public Finance Act, the Charter and the Constitution and other laws of the Commonwealth of Virginia.

§ 5. **Reserve Fund Commitment.** In the event VRA or VRA's Representative notifies the City that the debt service reserve fund established under the Master Indenture contains an amount less than the amount required to be on deposit therein, the City Manager shall promptly advise Council of such notice and seek an appropriation in an amount at least equal to the reported deficit to be funded no later than the date of the next regularly scheduled debt service payment on the Bond. While not intending to bind any future Council, it is the intent of the current Council to appropriate funds sufficient to cure any deficiency in the debt service reserve fund. Notwithstanding the foregoing, the obligation of this or any future Council to make any such payment other than from Net Revenues is subject to the appropriation of funds for such purpose.

§ 6. **Approval of Financing Documents.** Subject to Section 2 hereof, the City manager and Director of Finance, with the City Manager's approval, are each authorized to execute and deliver on behalf of the City, and, if required, the Clerk of Council is authorized to affix and attest the seal of the City or facsimile thereof to, the Financing Documents with such changes, insertions or omissions, as may be approved such officers, whose approval will be evidenced conclusively by the execution and delivery of such Financing Documents. Each officer of the City is authorized to execute and deliver on behalf of the City such other instruments, documents or certificates, and to do and perform such things and acts, as they deem necessary or appropriate to carry out the transactions authorized by this Resolution or contemplated by the Bond or the Financing Documents, and all of the foregoing, previously done or performed by such officers of the City, are in all respects approved, ratified and confirmed.

§7. **Execution and Delivery of Bond.** Subject to Section 2 hereof, the City Manager and Director of Finance, with the City Manager's approval, are each authorized and directed to have the Bond prepared, to execute the Bond by their manual or facsimile signatures pursuant to the Master Indenture, the Financing Agreement and the Supplemental Indenture, to deliver the Bond to the Trustee for authentication, and to cause the Bond so executed and authenticated to be delivered to or for the account of VRA upon payment of the purchase price therefor as set forth in the Financing Agreement. Notwithstanding any provision of the Master Indenture to the contrary, the City Manager is authorized to execute and deliver any bond, any supplemental indenture or any other instrument or agreement required or permitted by the Master Indenture.

§ 8. **VRA Offering Documents.** The Council authorizes and consents to the inclusion of information with respect to the City to be contained in VRA's Preliminary Official Statement and VRA's Official Statement in final form, both prepared in connection with the sale of the VRA Bonds, a portion of the proceeds of which will be used to purchase the Bond. The Council authorizes and consents to the inclusion of information with respect to the City to be contained in any of VRA's public disclosure documentation, as may be advisable or required, subject to prior review by the City Manager or Director of Finance. Such officers of the City are authorized and directed to take whatever actions are necessary and/or appropriate to assist VRA in complying with Securities and Exchange Commission Rule 15c2-12, as may be required by VRA in connection with the issuance of the VRA Bonds or the Bond.

§ 9. **VRA Fees and Expenses.** The City agrees to pay all amounts required by the Financing Agreement, including supplemental interest, late charges and other amounts necessary to maintain or replenish any VRA Reserve (as defined in the Financing Agreement) for the VRA Bonds, all as required by VRA.

§ 10. **Tax Covenants**. If requested by VRA or if the City otherwise deems it appropriate, the City may covenant at any time that it shall not take or omit to take any action the taking or omission of which would cause the Bond or the VRA Bonds if they were issued as tax-exempt obligations to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, including regulations issued pursuant thereto (the “Code”), or otherwise take any action regarding the use of the facilities refinanced with the proceeds of the Bond or the VRA Bonds and the investment of the proceeds thereof would cause interest on the Bond or the VRA Bonds if they were issued as tax-exempt obligations to be includable in the gross income for federal income tax purposes of the registered owners thereof.

§ 11. **Filing of Resolution**. The City Clerk, with the assistance of the City Attorney, is authorized and directed to see to the immediate filing of a certified copy of this Resolution in the Circuit Court of the City of Hampton and is directed to make a copy of this Resolution continuously available for inspection by the general public during normal business hours at the City Clerk's office from the date of adoption hereof through the date of the issuance of the Bond.

§ 12. **Confirmation and General Authorization**. All other actions of officers of the City in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Bond are approved and confirmed. The officers of the City are authorized and directed to execute and deliver all certificates and instruments and to take all such further action as may be considered necessary or desirable in connection with the issuance, sale and delivery of the Bond.

§ 13. **Effective Date**. This Resolution shall be in force and effect upon adoption.