

CITY OF MANASSAS PARK - STAFF REPORT/RECOMMENDATION

REQUESTING DEPARTMENT: *City Manager*

MEETING DATE: September 10, 2019

SUBJECT/TOPIC: VRA Refunding Opportunity

BACKGROUND: The Virginia Resource Authority (VRA) has informed the City that some of its 2013A GO Bond is eligible for refunding. The total savings is estimated at \$263K. The City plans to front-load nearly \$247K of this total saving as follows- \$64,172 in FY20, \$118,614 in FY21, and \$64,162 in FY22, with minimal annual savings in the years following FY22. It is important to note that this refunding effort does not push back our annual debt payments, it simply reduces the amount we need to pay due to lower interest rates- roughly 2% points. Please see attached presentation for more details.

The City's Bond Counsel, McGuire Woods also serves as Bond Counsel to the VRA. Both the VRA and the City will need to provide a conflict waiver to allow McGuire Woods to represent both parties without conflict. Below is a waiver request email from McGuire Woods:

"The Virginia Resources Authority ("VRA") has approached the City of Manassas Park (the "City") regarding the refunding of the City's 2013 general obligation refunding bond (which refinanced a number of school, public safety and general governmental capital projects) through VRA's Fall 2019 Virginia Pooled Financing Program bond issue. VRA originally purchased and currently holds the City's 2013 bond in the Virginia Pooled Financing Program. McGuireWoods serves as bond counsel to VRA and we are proposed to serve as bond counsel to the City. Because of the potential adversity to VRA, we would not undertake the representation of both VRA and the City without consent of both VRA and the City.

Please note that if the City were to consent to the dual representation as proposed we would have different McGuire Woods Public Finance Department partners supervising the VRA and the City bond counsel work. Arthur Anderson would supervise the VRA representation and T.W. Bruno would supervise the City's work.

I am respectfully requesting that the City consent to this arrangement and to our continued representation of VRA on unrelated matters. A reply via e-mail will be sufficient for our purposes.

We are requesting a limited consent only. In the unlikely event that a material dispute or litigation were to develop between the City and VRA (including a material dispute or litigation involving multiple parties), McGuireWoods would not represent either (or any) party in that dispute without the express written consent of both (or all) parties.

VRA has already provided its limited consent.

Thank you for the continued opportunity to serve the City and work with you."

STAFF RECOMMENDATION: *That the Governing Body authorize the City Manager to proceed with working with the VRA to pursue this refunding opportunity. Furthermore that the Governing Body provide limited consent to McGuire Woods to represent the City for this refunding.*

ATTACHMENTS:

1. City Manager Presentation

Debt Refunding Strategy- VRA Debt

Presented by City Manager



Debt Refunding Opportunity

- VRA has informed the City that some of its 2013A loan is eligible for refunding.
- **The estimated savings total \$263K (front-loaded amount of nearly \$247K from FY 20-22)**- \$64,172 in FY20, \$118,614 in FY21, and \$64,162 in FY22 with minimal annual savings in the years following FY22.
- Refunding does not push back debt payments, simply reduces the amount we need to pay due to lower interest rates (roughly 2% points).
- Cost of Bond Counsel taken off refunding savings.
- Estimated taxable rates as of 8/27/19; savings would be subject to any changes in market conditions.



Recommendation

- Pursue this opportunity in order to add roughly net \$250K savings in addition to the estimated \$1.7M+ savings from our other current refunding effort.
- This will provide the City with at least \$2M in savings from FY 20-23 to provide a Rainy Day for a recession prior to our decrease in annual debt payments in FY 23.
- Will help us retain employees during a recession!
- Will help us build reserves much quicker!



Next Steps

- Allow the City Manager to pursue this refunding and sign the financing documents pending review of CFO, Bond Counsel, and City Attorney.
- City Manager seeking motion from Governing Body to allow us to proceed with adding this refunding effort to the currently approved refunding effort.

