

FISCAL IMPACT NOTE

Legislation No: O-51-15

First Reader Date: 10-26-15

Note Date: 10-24-15

Legislation Title: Issuance of Water and Sewer Revenue Bonds

Description: For the purpose of authorizing and empowering the City of Annapolis (the “City”) to issue and sell two or more series of its water and sewer revenue bonds in the aggregate principal amount not to exceed Forty-Four Million Five Hundred Thousand Dollars (\$44,500,000) (the “Bonds”), pursuant to Article VII, Section 12 of the Charter of the City of Annapolis, as amended; providing that the Bonds shall be limited obligations of the City payable solely from revenues of the City’s water system and sewer system and shall not be general obligations of the City; providing that the Bonds shall be issued and sold for the public purposes of (a) financing costs of certain water and sewer capital projects of the City as provided in this Ordinance, (b) refinancing portions of certain outstanding general obligation bonds of the City which were issued to finance or refinance existing water and sewer facilities of the City, as provided in this Ordinance, (c) providing working capital for the City’s water and sewer systems, (d) funding a debt service reserve fund or other reserve fund for the Bonds, (e) paying the costs of any bond insurance or other credit enhancement, and (f) paying costs of issuance of the Bonds and other related costs; providing that for the general obligation bonds of the City which were issued to finance costs of water and sewer projects which will not be refinanced with proceeds of the Bonds shall be secured by the revenues of the City’s water system and sewer system, but that the lien on such revenues securing such remaining-outstanding general obligation bonds (which are secured by the full faith and credit of the City) shall be subordinate to the lien securing the Bonds and other revenue bonds issued in the future on parity with the Bonds; generally describing the public purposes to be served and the financing transaction to be accomplished; specifying and determining various matters in connection therewith; authorizing the Mayor of the City by executive order to specify, prescribe, determine, provide for or approve certain matters, details, forms, documents or procedures appropriate to the authorization, sale, security, issuance, delivery, or payment of or for the Bonds; and generally providing for and determining various matters relating to the issuance, sale and delivery of the Bonds.

Analysis of Fiscal Impact: Historically, the City has financed and refinanced the capital costs of its water projects and its sewer projects with proceeds of its general obligation bonds and has generally paid the debt service on the portions of such general obligation bonds issued to finance such costs with moneys from the City’s Water Enterprise Fund and the City’s Sewer Enterprise Fund, as applicable. Such general obligation bonds have generally had a maturity schedule of approximately 20 years. The issues of outstanding general obligation bonds which financed and refinanced water and sewer capital projects and the principal amount of such general obligation bonds outstanding as of June 30, 2015 which are to be payable from transfers from the City’s Water Enterprise Fund and the City’s Sewer Enterprise Fund are listed in Exhibit A (the “Outstanding Water and Sewer General Obligation Bonds”).

The City has now determined that it is in the best interest of the City to borrow money and incur indebtedness secured directly by the revenues of its water system and its sewer system rather than by the full faith and credit of the City and therefore will (a) issue two or more series of its revenue bonds pursuant to the Enabling Law to (i) refinance portions of the City’s Outstanding Water and Sewer General Obligation Bonds, (ii) finance the costs of the City’s water and sewer capital projects listed and described in Exhibit B (the “2015 Water and Sewer Capital Projects”) (iii) provide working capital for the City’s water and sewer systems, (iv) fund a debt service reserve fund or other reserve fund for each

series of the Bonds, (v) pay the costs of any bond insurance or other credit enhancement for the Bonds, and (vi) pay costs of issuance and other related costs. The specific Outstanding Water and Sewer General Obligation Bonds to be refunded shall be determined by the Mayor of the City (the "Mayor") by executive order.

The net proceeds of the Bonds shall be applied for the following purposes: (a) financing the costs of the 2015 Water and Sewer Capital Projects (provided that the costs of such projects to be financed shall not exceed \$5,000,000); (b) refinancing and refunding a portion of the City's Outstanding Water and Sewer General Obligation Bonds; provided that the particular maturities or portions of maturities of the Outstanding Water and Sewer General Obligation Bonds to be refinanced and refunded shall be determined by the Mayor in an executive order; (c) providing working capital for the City's water and sewer systems, (d) financing a deposit to a debt service reserve fund or other reserve fund for the Bonds in such amount as the Mayor shall determine in an executive order; (e) paying the costs of any bond insurance or other credit enhancement; and (f) paying all or a portion of the costs of issuance of the Bonds and other related costs.