

**City of Blue Ridge  
Special Called Meeting  
December 16, 2020**

**(Overview)**

**Water and Sewer Department**

**Bond (Purchase and Refunding) Agreement**

- |  |                |
|--|----------------|
| • Payoff of <u>Existing</u> Bonds        | \$11,690,000   |
| • Length of <u>Existing</u> Notes        | 37 Years       |
| • Interest Rate of <u>Existing</u> Notes | 4.5% and 3.25% |
| • City Previous Rating                   | N/A            |

**New Bonds**

- |  |                        |
|--|------------------------|
| • City Current Rating - <b>AA</b>      | (Alicia Stewart CPA)   |
| • Underwriter                          | Oppenheimer            |
| • New Note                             | \$11,690,000           |
| • Length of Note                       | <b>33 Years (2054)</b> |
| • New Interest Rate                    | <b>2.10%</b>           |
| • <b>Savings To City of Blue Ridge</b> | <b>(\$2,563,105)</b>   |

# Blue Ridge refinances \$11.6 million debt

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The Blue Ridge City Council has voted to re-finance over \$11.6 million in debt, saying the move will save \$2.5 million between now and 2054.

Three of the five members of the council approved a bond resolution and a bond purchase agreement Wednesday, December 16. The city's bond counsel, John Fennell, explained to the council

that the city's bonds were taken to market, which priced, par amount, at \$11,690,000.

"The bonds were sold at a premium, so with that premium amount in generates enough money to pay off the old bonds, pay for the insurance policy, pay for a debt service reserve policy, pay all the fees and costs of expenses, and at the end of the day, the city will save \$2.5 million by issuing these new bonds and paying off the old bonds," Fennell

said. "That \$2.5 in savings is a net present value calculation, and that's over the life of the bonds."

According to Fennell, the bonds go out until 2054, and projections show over \$100,000 a year in savings in the first three or four years compared to the city's current bonds, which are outstanding. "From there it kind of drops down, but there's still an average savings of anywhere between \$50,000 and \$95,000 a year on your annual principle and interest

costs that would otherwise be due if you did not refinance the current bonds," Fennell said. "You're all able to issue these bonds at a 2.1%. The all-in cost, if you factor in all the costs of issuance and underwriter's discount and all those things that go into the all-in costs, is 2.43%. The city is able to issue \$11.5 million of bonds at less than 2.5% interest costs and realize savings of about \$2.5 million over a 34-year period."

The bonds are callable in Year

10, which means the council can vote to pay the bonds off in whole or in part or refinance them, if it made economic sense to do so in 2030.

While council members Mike Panter, Robbie Cornelius and Harold Herndon unanimously voted to move forward with a motion made by Panter, city council members Rhonda Haight and Nathan Fitts did not join the virtual special called meeting to vote on the sole agenda item.