

Installment Purchase Revenue Bonds

**City Council
May 9, 2022**



Installment Purchase Revenue Bond Financing

- The City will be issuing debt for a portion of the purchase and upfit of the Public Safety Campus and the first installment of NIB funding
 - Public Safety Campus - \$9.5 million towards property purchase and renovation, \$4 million for TMC upfit
 - NIB - \$15 million for phase 1 projects
 - \$21 million to be issued for Phase II projects in FY24
- The recommended form of debt for this purpose is called Installment Purchase Revenue Bond, or IPRB for short

What is it?

- IPRB is a debt instrument that has been used throughout the State for the past 20 years
- Debt is issued by the Greenville Public Facilities Corporation (PFC) - more information on that body in the next slide
- The City leases the asset from the PFC, and by making lease payments over time gains fractional ownership of the financed asset
- Unlike General Obligation (GO) or revenue bonds, the City does not pledge the Full Faith & Credit of the government or a specific revenue source for repayment – rather makes a commitment to repay from any legally available source subject to Council appropriation

Who is the Public Facilities Corporation?

- The PFC is a non-profit entity created for the specific purpose of holding title to land and buildings for the exclusive benefit of the City of Greenville
- The PFC issues debt for the purchase and construction of public facilities, and leases the assets to the City of Greenville for use during the term of the debt
- The PFC board consists of at least 3 members appointed by City Council, and cannot be employees or elected officials of the City

Why Use This Structure?

- Flexibility
 - Repayment can be made from any and all legally available sources
- Maintains GO Debt Capacity
 - The City is limited by State Law to issuing no more than 8% of the City's assessed value as General Obligation debt. The City has preferred to strategically keep GO capacity available for emergencies or immediate, major needs
- Faster, less expensive issuance process
 - IPRB's, particularly if bank-placed rather than publicly sold, can be done in around 60 days vs. 90-120 days for a public sale, and Cost of Issuance tends to be \$70k-\$80k, rather than \$130k-\$150k for a GO bond

Has the City Done This Before?

- Series 2013 IPRB – Parking Garages (Riverplace II, Aloft)
- Series 2015 IPRB – Parking Garages
 - Refunded Series 2013 due to TIF settlement, added Broad Street Garage
- Series 2016 IPRB – Multiple Uses
 - Public Works Campus on Fairforest Way
 - Verdae Fire Station Construction and Fire Apparatus
 - Verdae Boulevard Construction
 - Solid Waste Vehicle and Equipment Financing

What is the Process?

- Mid-April – Financial Advisor releases Bank RFP
- May 4th – Bank Bids reviewed
 - J.P. Morgan Chase bank for a term of 15 years at an interest rate of 2.88%
- May 9th – First Reading of Ordinance
 - Authorizing Issuance of Debt
 - Lease and Conveyance Agreement – transfer title of Fluor Building to PFC as collateral for debt, sets terms of Lease/Acquisition Payments
 - Facilities Purchase and Occupancy Agreement – sets terms of fractional ownership transfer from PFC to City
 - Trust Agreement – authorizes PFC to enter agreement with Trustee to receive Lease Payments and make Debt Payments
- May 11th – PFC Adopts Resolution Authorizing Debt and accompanying documents
- May 23rd – 2nd Reading of Ordinance
- June 8th – Bond Closing

Discussion

