

Legislation Text

File #: 15-20663, Version: 1

Adopt an Initial Finding Resolution and Set a Public Hearing for a Draw Program for the Spectrum Arena Upgrades and Refunding of Outstanding Arena Certificates of Participation

Action:

- A. Adopt an initial findings resolution making certain findings and calling for the execution of various documents necessary to issue a draw program and refunding of Outstanding Arena Certificates of Participation,**
- B. Adopt a resolution setting a public hearings for August 28, 2023, for a draw program for up to \$110,000,000 for arena upgrades, and refunding of Outstanding Arena Certificates of Participation series 2003F and 2013G up to \$100,000,000, and**
- C. Authorize the City Manager, or his designee, to take necessary actions to complete the financing, including submitting the application to the Local Government Commission.**

Staff Resource(s):

Teresa Smith, Finance
Matthew Hastedt, Finance
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Explanation

- On June 13, 2022 City Council authorized the City Manager to negotiate and execute an agreement between Hornets Sports Entertainment and the City of Charlotte in amount not to exceed \$215,000,000 for arena improvements and repairs and \$60,000,000 for new Performance Enhancement Center.
- The city will enter into a construction period financing in the form of a drawdown program for not to exceed \$110,000,000; allowing the city to reimburse expenses on a monthly basis during construction and eliminating interest expense on funds not yet expended on the projects.
- This will be the first of two financing tranches for the total project financing not to exceed \$215,000,000.
- A drawdown construction period financing reduces interest cost and provides flexibility in the timing of the spending.
- The projects being funded will assist with contractual obligations of the city to provide capital repairs and improvements, and also finance other renovations and upgrades to meet the National Basketball Association requirements, to keep the arena competitive, to make it more environmentally friendly, and to help attract additional events.
- The project is located in Council District 1.
- The Spectrum Center Upgrades debt issuance for this first tranche is planned in two steps; a short-term construction period draw program lasting up to 36 months which will then be converted into permanent fixed-rate financing.
- In addition, the city continually evaluates outstanding debt for refunding opportunities to achieve savings, reduce risk, and to modernize financing documents.
- In 2013, \$128,000,000 Certificates of Participation (COPs) were issued at a variable rate, and the city entered into a pay-fixed rate agreement.

- Approximately \$78,000,000 of the refunding proceeds will be used to refund the existing 2013G debt for savings and to fund a termination fee. The 2013G bonds will only be refunded if it results in a more favorable position for the city at the time of financing.
 - Approximately \$22,000,000 from the refunding will be used to refund outstanding 2003F COPs. The 2003F bonds will only be refunded if it results in a more favorable position for the city at the time of financing.
- The North Carolina Local Government Commission is expected to review and approve the draw program for Spectrum Center Upgrades in September, and the refunding of existing Arena COPs in October.

Fiscal Note

Funding: Tourism Fund

Attachment(s)

Resolution