



Legislation Text

File #: ID 16-0680, **Version:** 1

BOND PROCEEDINGS PROVIDING FOR THE ISSUANCE OF UP TO \$72.5 MILLION GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016

Department: Finance and Legal
Council District: All

Public Hearing:
Advertising Date/By:

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PURPOSE: On September 21, 2016, the City proposes to sell up to \$72.5 million General Obligation (GO) Refunding Bonds to refinance bonds and bond anticipation notes issued in 2006, 2008 and 2014 for various general governmental capital projects. Issuance of the bonds requires City Council approval of the attached resolutions and refunding bond order on August 16, 2016. The Local Government Commission will consider approving these financings on September 6, 2016, with the bonds to be closed on or about October 20, 2016.

BACKGROUND: The \$72.5 million GO Refunding Bonds require the following two authorizations by City Council:

\$22.5 Million GO Refunding Bonds - Refunding Bond Order to be Authorized

The City proposes to refinance up to \$22.5 million in GO bonds issued in 2006 and 2008 with an average interest rate of 4.45%, on September 21, 2016. Based on current market rates, the GO Refunding Bonds would produce an estimated debt service savings in excess of \$2 million over their 7-year and 9-year terms, respectively, with an average interest cost of approximately 1.2%. All or part of the 2006 and 2008 bonds may be refinanced on the sale date, subject to favorable interest rates and present value savings of 5% or higher of the bonds refunded.

\$50 Million GO Refunding Bonds - Approving Sale Resolution for Bond Orders Previously Authorized

In March 2014 the City issued a \$50 million GO Bond Anticipation Note under an interest-only construction draw program to fund capital project expenses for the purposes noted below. We will pay off that short-term note with \$50 million in GO Refunding Bonds proposed to be sold on September 21, 2016 and closed on or about October 20, 2016. The refunding bonds are expected to have an average interest cost of approximately 2.50% over their 20-year term. The \$50 million GO Refunding Bonds are being issued for the following purposes:

Bonds authorized 11-7-2006:

| | |
|----------------------|------------------|
| Fire Stations | \$12,330,000 |
| Parks and Recreation | 5,000,000 |
| Economic Development | 4,000,000 |
| Libraries | <u>1,000,000</u> |
| | \$22,330,000 |

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Bonds authorized 11-4-2008:

| | |
|-----------------------------------|------------------|
| Street Improvements | \$23,060,000 |
| Housing | 1,000,000 |
| Parks and Recreational Facilities | <u>1,420,000</u> |
| | \$25,480,000 |

Bonds authorized 11-3-2009:

| | |
|------------------------|--------------|
| Natural Science Center | \$ 2,190,000 |
|------------------------|--------------|

Authorized but unissued bonds from 2008 & 2009: January 2017 the City Council will be asked to authorize a \$55 million GO Bond Anticipation Note (BAN) to finance additional bond projects authorized in 2008 and 2009, primarily for street improvements as well as parks and recreation and the Science Center. Those notes will be refinanced with GO bonds October 2018 along with the sale of an additional \$60 million GO bonds to fund street improvements.

BUDGET IMPACT: No increase in property taxes is needed to service the debt related to the proposed \$72.5 million Series 2016 GO Bonds. Under current economic conditions, the bonds can be marketed at reasonable rates of interest, as noted above. Savings from refunding any of the 2006 and 2008 bonds will offset debt service costs spread over their remaining 7-year and 9-year respective terms.

RECOMMENDATION / ACTION REQUESTED: The Finance and Legal Departments recommend City Council approval of the attached resolutions and refunding bond order providing for the sale of up to \$72.5 million General Obligation Refunding Bonds, Series 2016 on September 21, 2016.