



## Legislation Text

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**File #:** ID 19-0820, **Version:** 1

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Order Authorizing \$57,000,000 General Obligation Refunding Bonds

Council Priority: Ensure Fiscal Stewardship, Transparency, & Accountability

Department: Finance and Legal

Council District: All

Public Hearing: n/a

Advertising Date/By: n/a

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### **PURPOSE:**

In February 2020, the City proposes to sell up to \$57 million General Obligation (GO) Refunding Bonds to refinance bonds issued in 1998, 2003, 2006, 2008 and 2010 for various general governmental capital projects, to achieve lower interest rates on the bonds. Estimated savings from refinancing these bonds is \$1.7 million spread over the next 10 years. Issuance of the GO bonds requires City Council approval of the attached resolution and refunding bond order on December 17, 2019. The Local Government Commission will consider approving these bond refinancings on January 7, 2020. On January 21, 2020 the City Council will approve a bond sale resolution for the proposed refunding bonds of up to \$57 million along with another bond sale resolution for \$50 million of the bonds authorized in the 2016 GO Bond referendum.

### **BACKGROUND:**

A portion of the GO Refunding Bonds issued will refinance the \$20.43 million outstanding taxable fixed rate Build America Bonds listed below. Current short-term tax-exempt fixed interest rates (approximately 1.73%) are lower than the taxable interest rates on the outstanding bonds net of the federal interest rate subsidy received (net rate of approximately 3.15%), and thus, there is an estimated refinancing savings of \$1.42 million spread over the next 10 years.

- (i) \$20.43 Million General Obligation Public Improvement Bonds, Series 2010B (fixed rate Federally Taxable Direct Subsidy Build America Bonds), dated November 2, 2010 and maturing October 1, 2030.

Another portion of the GO Refunding Bonds issued will refinance the \$34.56 million outstanding variable rate bonds listed below. Current short-term fixed interest rates (approximately 1.39%) are lower than the cost of current low variable interest rates and related bank fees (approximately 1.60%). Fixing the interest rates at this time also eliminates interest rate risk of higher future variable rates. Refinancing these bonds at this time will

result in estimated savings of \$284,000 over the next eight years.

- (ii) \$5.44 Million General Obligation Housing and Redevelopment Bonds, Series 1998 - taxable variable rate, dated March 3, 1998 and maturing April 1, 2022.
- (iii) \$10.0 Million General Obligation Public Improvement Bonds, Series 2003B - tax-exempt variable rate, dated February 19, 2003 and maturing February 1, 2023.
- (iv) \$9.12 Million General Obligation Street Improvement Bonds, Series 2006 - tax-exempt variable rate, dated February 9, 2006 and maturing February 1, 2026.
- (v) \$10.0 Million General Obligation Public Improvement Bonds, Series 2008B - tax-exempt variable rate, dated February 1, 2008, and maturing February 1, 2028.

**BUDGET IMPACT:**

No increase in property taxes is needed to service the debt related to the proposed \$57 million Series 2020 GO Refunding Bonds. Under current economic conditions, the bonds can be marketed at reasonable rates of interest, as noted above. Estimated savings of \$1.7 million from refunding these bonds will offset debt service costs spread over the next 10 years as the bonds mature.

**RECOMMENDATION / ACTION REQUESTED:**

The Finance and Legal Departments recommend City Council approval of the attached refunding bond order providing for the issuance of up to \$57 million General Obligation Refunding Bonds, Series 2020.