

City Council Staff Report



Subject: 2019 General Obligation Bonds – Authorizing Resolution
Author: Nate Rockwood
Department: Budget Department
Date: January 15, 2019
Type of Item: Legislative

Summary Recommendation

Staff recommends that City Council approve the attached Authorizing Resolution for the 2019 Series \$48 million General Obligation (GO) bonds for the purchase of Treasure Hill and Armstrong/Snow Ranch Pasture properties. The resolution begins the issuance process and authorizes the pricing and sale of the bonds, which is expected on or around February 20, 2019.

Background

In November of 2018, the voters of Park City approved a \$48 Million Treasure Hill and Armstrong/Snow Ranch Pasture GO bond proposition. The issuance bonds were authorized by an affirmative vote of 78% of the voters at a special bond election held for that purpose on November 6, 2019. The proposition submitted to the voters was as follows:

Shall Park City, Utah be authorized to issue general obligation bonds to acquire, improve and forever preserve open space, park and recreational land located in Treasure Hill and Armstrong/Snow Ranch Pasture in order to protect the conservation values thereof, to eliminate any future commercial or residential development, and to make limited improvements for public access, trailhead parking and use, in an amount not to exceed \$48,000,000 and to mature in no more than 16 years from the date or dates of such bonds?

Analysis

The attached authorizing resolution sets the parameters of the GO bond issuance, delegates final approval of bond terms to the City Manager as the *Designated Officer*, and initiates the process required for the issuance of the bonds. The resolution sets the maximum principal issuance amount at \$48,000,000 and defines the purpose as follows:

For the issuance of \$48,000,000 principal amount of general obligation bonds authorized for the purpose of acquiring, improving and forever preserving open space, park and recreational land located in Treasure Hill and Armstrong/Snow Ranch Pasture (the “Project”).

The resolution also establishes maximum terms of 6% interest, not more than 16 years, and 2% discount from par. These terms are intentionally set high to allow flexibility in the bond pricing structure. While markets are difficult to predict, staff anticipates that the actual interest rate of the bonds would be closer to the current rate between 3.0 to 3.4%, than the maximum. The maturity of the bond is expected to be 15 years. The parameters allow for a maximum 2% discount from par, which would be necessary if interest rates were higher than the coupon rate on the bond.

It is anticipated that the sale of the bonds would occur on or around February 20, 2019. Staff would proceed with the bond closing on or after March 6, 2019. The bonds will be sold by competitive sale.

Funding Source

The bond resolution is the first step in initiating a bond issuance. This bond issuance is anticipated and voter-approved as the funding source for the purpose of purchasing Treasure Hill and Armstrong/Snow Ranch Pasture properties. The authorizing resolution will allow staff to continue with the current timing of the issuance in order to make payment on the purchase of the Treasure Hill property by April 1, 2019. The City has the ability to stop the bond issuance process or adjust the amount down, if necessary, on or before the pricing of the bonds on February 20, 2019.

As part of the 2019 budget process City Council and staff evaluated the City budget and 5-year Capital Improvement Plan (CIP) projects. As part of this process the City de-obligated, deferred and delayed planned capital improvement projects freeing up additional funds to lower the amount of the GO ballot proposition to \$48 million. The majority of the additional funding required for the \$64 million purchase price of the Treasure Hill property will be funded through the use of sales revenue bonds which were anticipated in the budget for projects related to the Addition Resort Communities Sales Tax Plan. The Additional Resort Communities Sales Tax was approved by Park City voters in 2013 to be used for capital improvement projects and the purchase of open space.

The following table summarizes the project cost and funding allocation dedicated to the purchase of the Treasure Hill and Armstrong/Snow Ranch Pasture properties. The table also details the anticipated uses of both the 2019 Series Treasure Hill and Armstrong/Snow Ranch Pasture GO bonds and the related 2019 Series Sales Revenue bonds, which are being issued for the Treasure Hill property and the City’s affordable and attainable housing projects:

Project and Bond Allocation Table 2019 Series GO Bonds & 2019 Series Sales Tax Revenue Bonds			
	Treasure Hill	Armstrong/Snow Ranch Pastures	Affordable Housing (RDA)
Project Costs	\$ 64,000,000	\$ 3,000,000	\$ 21,700,000
2019 GO Proceeds	\$ 45,000,000	\$ 3,000,000	
2019 GO Bond Premium (estimate)	\$ 1,000,000		
2017 Sales Tax Bonds (ARCST)	\$ 6,000,000		
Sale of Assets (Land)	\$ 1,000,000		
2018 Year-End Surplus	\$ 700,000		
2019 Sales Tax Bonds (ARCST)	\$ 10,300,000		
2019 Sales Tax Bonds (LPA RDA)			\$ 21,700,000
Total	\$ 64,000,000	\$ 3,000,000	\$ 21,700,000

Utah Open Lands is currently working with donors and other entities to close the \$3 million funding gap for the total purchase price of Armstrong/Snow Ranch Pasture property of \$6 million. The City will contribute up to \$3 million in GO bond proceeds towards the \$6 million. If the total funding amount of \$6 million is not in place by the sale of the 2019 GO bonds on February 20, 2019, the City will not issue the Armstrong/Snow Ranch Pasture portion of the GO bond authorization. In this scenario, the total amount of issuance for the 2019 Series GO bonds will be reduced to \$45 million. The City may issue a second series of GO bonds for \$3 million once the funding is secured for the total purchase price required for the Armstrong/Snow Ranch Pasture property. The voter approved authorization for \$3 million is valid for 10 years from the time the ballot initiative was approved.

Attachments

A – Authorizing Resolution