City Council
Staff Report

Subject: **2008 General Obligation Bond Refunding – Authorizing Resolution**
Author: **Nate Rockwood**
Department: **Budget Department**
Date: **January 29, 2019**
Type of Item: **Legislative**

Summary Recommendation

Staff recommends that City Council approve the attached Authorizing Resolution to set refunding parameters for the 2008 Series $10 million General Obligation (GO) bonds which were sold on December 22, 2008. The resolution is necessary to refund (refinance) the bonds and authorizes the pricing and sale of the 2019 refunding bonds, which is expected on or around February 20, 2019. The refunding bonds will be sold with the 2019 GO bonds.

Background

In 2008, the City issued GO bonds for the purchase of open space. The bonds were originally authorized by Park City voters for open space acquisition in November 2006. As part of the bond issuance, the bonds included a redemption period at year 9. Therefore, on or after November 1, 2018 the bonds have been callable. Staff recommends that the City take advantage of the current market's favorable rates and cost of issuance savings associated with selling refunding bonds with the 2019 series GO bonds.

Analysis

$4.8 million in principal remain on the 2008 bonds with an interest rate of about 5% annually. It is expected that the combined Park City property tax payer will realize a NPV savings of approximately 5.8% or $271,000 over the remaining 6 year term of the bonds. By combining the refunding with the issuance of the 2019 GO bonds, cost of issuance will be minimal. The interest savings of the refunding will be reflected in property tax rates over the next 6 years.

The attached authorizing resolution sets the parameters of the GO refunding 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 $5,000,000 with a maximum term of 6% interest, not more than 6 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 2.5 to 2.7%, than the maximum. The maturity of the bond will be 6 years (this matches the years remaining on the current 2008 series bonds). 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.

Attachments

A – Authorizing Resolution 2008 GO Refunding Bonds