City Council
Staff Report

Subject: 2020 General Obligation Bond – Authorizing Resolution
Author: Jed Briggs
Department: Budget Department
Date: March 5, 2020
Type of Item: Administrative

Summary Recommendation
Approve the Authorizing Resolution to set parameters for the 2020 $10.2 million General Obligation (GO) bonds for the purchase of the Armstrong/Snow Ranch Pasture properties, as well as the refunding of the 2009 Series $13.5 million GO bonds, which were sold on June 4, 2009, and the 2010 Series Build America $6 million GO bonds (savings of over $315K). The resolution begins the issuance process and authorizes the pricing and sale of the bonds, which is expected on or around April 6, 2020.

Staff has worked closely with outside Bond Counsel and the following authorization is consistent with the City’s underlying debt strategy and plans.

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 bonds were authorized by an affirmative vote of 78% of the voters 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?

In 2009 and 2010, the City issued GO bonds for the purchase of open space, (Gambel Oak, Armstrong, and Osguthorpe parcels) that were 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 May 1, 2019 and 2020, the bonds will be callable. Staff recommends that the City take advantage of the current market’s favorable interest rates and issuance cost savings associated with refunding bonds as part of the larger, 2020 series GO bonds described above. The result is financial savings for Park City’s taxpayers.

Analysis
Utah Open Lands (UOL) worked with donors and other entities to close the funding gap for the total purchase price of Armstrong/Snow Ranch Pasture property of $6 million. Voters and the City agreed to contribute $3,550,000 million in GO bond proceeds towards the $6 million. UOL’s fundraising was not completed when the sale of the 2019 GO bonds to purchase
Treasure Hill was issued (February 20, 2019), so the City did not issue the Armstrong/Snow Ranch Pasture portion of the GO bond authorization. The voter approved authorization for $4 million is valid for 10 years from the time the ballot initiative was approved.

For the callable bonds from 2009, $4.58 million in principal remains with an interest rate of about 3.5% annually. $2.255 million in principal remains (callable) on the 2010 bonds with an interest rate of about 3.5% annually. If packaged together, staff estimates the Park City property tax payer will realize a NPV savings of approximately 5.269%, or $315,325, over the remaining 6 year term of the bonds. By combining the refunding with the issuance of the 2020 GO bonds, cost of issuance will be minimal, and the interest savings of the refunding will be reflected in property tax rates over the next 6 years. A primary home with a valuation of $800,000 would see a property tax increase of $13.43 annually for the new bond issuance, but there’s a savings of $2.60/year due to the refunding. This equates to a net increase of approximately $10.83 a year.

The 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 by outside bond counsel. The resolution states that the aggregate principal amount of the bonds shall not exceed $10,200,000 with a maximum 5% interest, term of not more than 16 years, and 2% discount from par. The 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, from 1.51% to 1.38%, rather than anywhere near the maximum. The maturity of the bond will be 15 years, and 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 (See Preliminary Official Statement).

Staff anticipates bond sales on or around April 6, 2020. Staff would proceed with the bond closing on or after March 6, 2019, and the bonds will be sold by competitive sale.

**Exhibits**
A – City’s Debt Service Charts and Bond Definitions
B – Authorizing Resolution 2020 GO Bond