

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Action: A Resolution Authorizing the Sale of General Obligation Refunding Bonds

Meeting Date: April 11, 2016
Department: Central Services
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Agenda Item Number: 2D
Staff Contact: Sue Cutsogeorge
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ISSUE STATEMENT

The council is being asked to approve the issuance of general obligation bonds to refinance the General Obligation Parks & Open Spaces Bonds, Series 2004, and the General Obligation Refunding Bonds, Series 2006 (Public Safety and Parks and Open Spaces) to achieve interest rate savings.

BACKGROUND

On September 19, 1995, a majority of the electors authorized the City to issue general obligation bonds in an aggregate principal amount of \$19,141,410 in order to construct and equip new public safety facilities. On April 26, 1996, the council adopted resolution 4481 authorizing issuance of the bonds. In May 1996, the City issued the full amount of the public safety bonds.

On November 3, 1998, a majority of the electors authorized the City to issue general obligation bonds in an aggregate principal amount of \$25,305,000 to finance the purchase of parkland, the building of parks and youth sports fields and replacement of Amazon Pool. On June 21, 1999, the council adopted resolution 4595 authorizing issuance of the bonds and in August 1999, the City issued \$19 million of the authorized amount of parks and open space bonds (Series 1999).

On June 23, 2003, the council approved Resolution 4760 authorizing the issuance of General Obligation Refunding Bonds to refund all or a portion of the Series 1996 Bonds and the Series 1999 bonds. In March 2006, the City issued refunding bonds in the amount of \$24,990,000 (Series 2006).

On March 8, 2004, the council adopted resolution 4787 authorizing the sale of the unissued bonds for the remaining authority under parks and open space bond authorized by electors on November 3, 1998, and in May 2004, the City issued the remaining authorized amount, \$6,305,000 (Series 2004).

Bond yields continue to remain at low levels due to current economic conditions including lowered interest rates for municipal bonds. At this time, it is estimated that the annual savings from refinancing the Series 2004 Parks and Open Space Bonds is about \$41,000 and from the

Series 2006 Refunding Bonds about \$80,000 per year, for a total of about \$530,000 over the remaining life of the debt. Savings will depend on interest rates at the time of the bond sale.

On November 7, 2006, a majority of the electors authorized the City to issue general obligation bonds in an aggregate principal amount of \$27,490,000 to finance parks, athletic fields and preservation of open space. On January 8, 2007, the council adopted Resolution 4898 authorizing the issuance of bonds and/or lines of credit to provide financing for the projects. In May 2007, the City established a taxable general obligation bond and revolving credit facility and has issued \$21,570,000 to date through the line-of-credit. In October 2008, the City issued a 10-year, \$5,600,000 general obligation bond to refinance the then outstanding balance on the line-of-credit, which was refunded in 2011 to achieve interest rate savings. The line-of-credit was renewed in 2012 and 2014 and currently has an outstanding balance of \$3 million. The City will sell \$5 million in new money bonds related to this issuance in combination with the refunding bonds. The City already has authority for the new money issuance under Resolution 4898, so additional authority is not requested.

RELATED CITY POLICIES

The City's debt policies set out provisions for refunding debt. Those policies state that the City should issue current refunding bonds when the net present value savings exceed \$100,000. Under current market conditions, the anticipated savings from this proposed refinancing far exceed the minimum threshold in the City's debt policy.

COUNCIL OPTIONS

The council can either adopt the resolution or not adopt the resolution. If the resolution is not adopted, the City will not issue refunding bonds to take advantage of the current low interest rate environment and save money on future debt service payments.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends adoption of the resolution.

SUGGESTED MOTION

Move to adopt Resolution 5149 authorizing the sale of General Obligation Refunding Bonds.

ATTACHMENTS

A. Resolution Authorizing the Sale of General Obligation Refunding Bonds

FOR MORE INFORMATION

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