

**City of Shoreline  
Ordinance 764  
Authorizing Refunding of UTGO &  
LTGO Debt**



# Agenda

- Background
- Review of Delegating Ordinance
- Recommendations/Next Steps
- Questions



# Background

- Why Refund?
  - Lower interest rates = lower cost
- Refunding Candidates
  - 2006 Unlimited Tax General Obligation Bonds -
    - Voted Parks Levy Issued May 2006
    - Net Present Value Savings estimated at \$510K or 6.7%
  - 2009 Limited Tax General Obligation Bonds - \$18.3M
    - City Hall Bonds issued July 2009
    - Net Present Value Savings estimated at \$1.8M or 10.4%\* over 20 years



# Discussion - 2006 UTGO Parks Bonds

## ■ Refunding Strategy

- Level Savings refunding – Voted Property Tax rate is reduced by approximately \$.01 each year
- Accelerated Retirement – Defers most of the savings to end. Voted Property Tax rate would be reduced by \$.05 in 2021 and provides slightly greater NPV savings

Recommendation: Accelerated Retirement to provide a greater impact to taxpayers

## ■ Method of Sale

- Competitive Private Placement – Lower Issuance Costs
- Competitive Public Sale – Higher & Admin Issue Costs but potentially lower interest costs

Recommendation: Issue RFP for Private Placement – if results don't meet expectations conduct the public sale



# Discussion - 2006 UTGO Parks Bonds

## Issue Parameters:

- Principal amount NTE \$8,500,000,
- Final maturity date no later than December 1, 2021,
- Net present value debt service savings => 3.0%,
- True interest cost NTE 2.65%.
- Bond Value sold at > 98%
- No Coupon rate greater than 5%

# Discussion 2009 LTGO City Hall Bonds

- Build America Bonds – Federal Subsidy for Interest
- Cross Over Advanced Refunding
  - All refunding proceeds are placed in escrow which pays debt service on new bonds through 2019
  - Escrow then retires the old 2009 bonds at the first call date of 12/1/2019
  - Savings begin in 2020
- Method of Sale
  - Competitive Public Sale – Higher & Admin Issue Costs but potentially lower interest costs



# Discussion - 2009 LTGO City Hall Bonds

## Issue Parameters:

- Principal amount NTE \$18,800,000,
- Final maturity date not later than December 1, 2039,
- Minimum net present value debt service savings of 3.0%,
- True interest cost does not exceed 3.25%%,
- Bond Value sold at >98%
- No Coupon rate greater than 5%



# Review of Delegating Ordinance

- Section 1. Definitions
- Section 2. Purpose and Authorization of Bonds
- Section 3. Bond Details, Registration, Exchange and Payment
- Section 4. Redemption and Purchase of Bonds
- Section 5. Form of Bonds
- Section 6. Execution of Bonds
- Section 7. Refunding Plan; Application of Bond Proceeds



# Review of Delegating Ordinance

- Section 8. Tax Covenants
- Section 9. Debt Service Funds and Provision for Tax Levy Payments
- Section 11. Sale of Bonds
- Section 12. Undertaking to Provide Ongoing Disclosure; Covenants
- Section 13. Lost, Stolen or Destroyed Bonds
- Section 14. Severability; Ratification
- Section 15. Payments Due on Holidays
- Section 16. Amendments Related to Crossover Refunding
- Section 17. Corrections by City Clerk
- Section 18. Effective Date of Ordinance

# Council Direction

- 2006 UTGO Refunding - Staff recommends that we utilize the accelerated savings strategy
- Ordinance 764 - Staff recommends that Council direct staff to return with the ordinance for Council adoption on November 7, 2016

# Recommendation/ Next Steps

## Next Steps

- Return Ordinance for Council Approval
- Release RFQ/select buyer based on Market
- Update to Council following Bond Closing

# Discussion/Questions?

