



City Council

Approval of Ordinance Authorizing up to \$10,000,000 of General Obligation Bonds for Park Acquisition and Authorizing the Issuance of Bond Anticipation Notes (BAN) Pending the Issuance of the Bonds

Agenda Date: 5/10/2016
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Title

Approval of Ordinance Authorizing up to \$10,000,000 of General Obligation Bonds for Park Acquisition and Authorizing the Issuance of Bond Anticipation Notes (BAN) Pending the Issuance of the Bonds

Recommended Action

Committee Recommendation:

The Finance Committee recommends Council approve the ordinance on second reading.

City Manager Recommendation:

Move to approve the Ordinance Authorizing up to \$10,000,000 of General Obligation Bonds for Park Acquisition and Authorizing the Issuance of Bond Anticipation Notes (BAN) Pending the Issuance of the Bonds on second reading.

Report

Issue:

Should the City authorize bond anticipation notes pending the issuance of general obligation bonds for park acquisitions?

Staff Contact:

Dean Walz, Fiscal Services Director, Administrative Services Department, 360.753.8465

Presenter(s):

Jane Kirkemo, Director of Administrative Services, 360.753.8499.

Background and Analysis:

Background and analysis has not changed from first to second reading.

In 2006 the City issued bonds funded from a voter-approved utility tax (VUT). The bonds will be fully paid in December 2016. Once the bonds are fully paid the VUT may be used for other park purposes.

The final 2016 debt service on the bonds is \$1.2 million. The City Council and citizens have expressed the desire to acquire additional park property with the VUT after the bonds are retired. The City has opportunities and options to acquire park land prior to VUT becoming available. The exact amount required to purchase park land in 2016 is not finalized at this time. At a minimum, between \$5.3 and \$5.5 million is needed to exercise the purchase option on the D.R. Horton and Kaiser Heights properties, including issuance and closing costs.

Staff is recommending a Bond Anticipation Note (BAN) be issued with a maximum maturity of three years in an amount not to exceed \$10 million to finance park properties. A BAN is recommended at this time since it is anticipated there will be additional bonding for park purchases in the next few years. Issuing the BAN will reduce issuance and closing costs versus the cost of issuing multiple bonds. The City negotiated with Cashmere Valley Bank for the purchase of the BAN. Contacts were also made with other local banks. Attached is a preliminary offer from Cashmere Valley Bank. The final offer will be included with the ordinance on final reading and passage scheduled for May 10. No material changes are expected from the preliminary to final offer.

Neighborhood/Community Interests (if known):

Neighborhood/Community Interests has not changed from first to second reading.

The Council has received requests by neighborhood/community groups and individuals requesting the City acquire additional park land.

Options:

The options have not changed from first to second reading.

- 1) Approve the ordinance providing interim financing for park acquisitions.
- 2) Do not approve the ordinance. Not approving the ordinance may jeopardize the City's ability to purchase park land at this time, including land for which the City has exercised options to purchase.
- 3) Direct the staff to another course of action for park acquisition.

Financial Impact:

Financial Impact has not changed from first to second reading.

Approval of the ordinance provides financing for immediate park acquisition needs. Funding for payment of bonds to be issued to refinance the BAN will come from voter-approved utility tax for park purposes or other general revenues. Interest on the BAN is expected to be 1.35%. Annual interest will depend on the final amount of the BAN. Interest on the BAN will be paid semi-annually from Park impact fees and/ or voted utility taxes.

Attachments:

The attachments have not changed from first to second reading.

1. Ordinance
2. Bond Anticipation Note, preliminary offer from Cashmere Valley Bank