



CITY COUNCIL AGENDA ITEMS

To: Mayor and City Council
From: Dean Rich, Director of Finance
Walter Denton, City Administrator
Date: June 19, 2006
Subject: Ordinance Providing for Issuance of General Obligation Refunding Bonds

List of committees that have reviewed: Finance and Administration

Background: This is a bond ordinance for an approximate \$21,185,000 tax exempt general obligation bond issue. It provides \$6.3 million to refinance the Prop S bonds, \$8.5 million to establish the Family Sports Park, \$6.0 million for economic development at the Shoppes at Greenmount and associated funding cost. The sources of revenue are an annual \$1.5 Million from the ½ cent sales tax, \$400,000 from the Hotel/Motel tax and \$400,000 from a 1% Food and Beverage tax. Bernardi Securities worked with staff to increase our current bond rating and the city was upgraded from A+ to AA-. There are only 4 others cities (Peoria, Springfield, Bloomington & Champaign) south of Chicago with this high a rating and the city received an immediate saving of \$30,000 on insurance for this issue and expects the interest rate to also be reduced as the bonds are more secure/marketable. This is a very conservative bond issue with bond expense at less than 70% of current bond revenue. With increased sales tax, projected new motels and restaurants income, the expense to revenue ratio could drop under 50% in the next 5/7 years.

Legal Considerations, if any: Attorney Kurt Froehlich has drafted the ordinances. He will represent the city to protect the tax exempt status of the bonds.

Budget Impact: This bond issue will provide funds for the family sports park and is included in the Capital Improvement Budget, the additional Prop S funds generated by a reduction in bond payments will be applied to on going infrastructure projects as promised in the 2000 referendum and the Food & Beverage Tax will go to the payment of the portion of the bond going to economic development at the Shoppes at Greenmount.

Staff recommendation: .Staff recommends approval