



CITY COUNCIL AGENDA ITEMS

To: Mayor and City Council
From: Dean Rich, Director of Finance
Walter Denton, City Administrator
Date: May 4, 2009
Subject: Ordinance Providing for Issuance of Refunding Bonds

List of committees that have reviewed: Finance and Administration

Background: In 2006 the City issued \$21 million in bonds to extend the Prop S Bonds and free up money for current projects, build a Conference Center and build the First Phase of the Family Sports Park. Funding for this bond is part of the Prop S ½ cent Sales Tax, the Hotel/Motel Tax and the Food and Beverage Tax. With the increase of the Cities bond rating from AA- to AA, we are able to refinance these bonds from 20 years to 30 years, receive an additional \$10 million to fund the Second Phase of the Family Sports Park and not increase our bond payment.

The \$10 million will build an additional 4 ball fields, 2 professional soccer fields and associated parking, concessions, playground equipment, trails, and rest rooms. The addition will allow O'Fallon to be competitive for Regional and National tournaments and establish the City as a destination to benefit our Hotel/ Restaurant Industry. This is an enabling ordinance and does not contain details on the cost. With this ordinance, Bernardi Securities will go to market and establish demand, rate and cost. Bernardi will return for the second reading with financial details and a resolution authorizing the mayor to sign for the sale of the bonds and associated documents.

Legal Considerations, if any: All documents will be prepared by city Bond Counsel Kurt Froehlich.

Budget Impact: Eliminating the sunset clause allows the Telecommunications Tax to be counted as long term revenue and will help increase our bond rating with a resulting decrease in cost of borrowing. The revenue from the tax will be booked into Debt Reserve for the 2009 Bonds. If the economy returns to previous levels, this will provide a cushion for future down periods in the Hotel/Restaurant tax and in the best case would allow early pay off of the bonds.

Staff recommendation: Recommend approval.