



CITY COUNCIL AGENDA ITEMS

To: Mayor and City Council
From: Dean Rich, Director of Finance
Walter Denton, City Administrator
Date: May 18, 2009
Subject: Ordinance Providing for Issuance of Taxable (BAB) Library Bonds

List of committees that have reviewed: Finance and Administration

Background: Mr. Vernon Ohlendorf left the Library \$2.4 million in his estate. The Library would like to sell \$2 million in bonds to expand the library. Mr. Ohlendorfs funds will be invested and the proceeds used to pay off the bonds and if the economy recovers, by the end of 20 years the bonds will be paid and the library will have the \$2.4 million as an endowment. This issue is 2009A and shares the cost with issue 2009 to save cost of both issues. As the result of information presented at the May 14 Special Committee meeting the Library bonds have been changed from Tax Free to Taxable Build American Bonds (BAB). The bonds will sale at a higher interest rate and the U.S.Treasury Department will refund 35% of the interest back to the library. Use of the BAB will significantly reduce the bond payments and could, in a best case situation, result in the endowment actually growing over the 20 years. The change to BAB does not fundamentally change the ordinance but does cause it to be reformatted resulting in it not being available until Monday. Final ordinance and rate will be available at Council.

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

Budget Impact: While noting is certain in the current economy, the library is currently receiving 5% on the long term investment of Mr. Ohlendorfs Funds. If history is any indication the library should be able to receive at least 7% over the term of the bonds and possible increase the size of the endowment. In a worse case scenario the Library has sufficient funds to pay the bonds from current Ohlendorf funds.

Staff recommendation: Recommend approval.