



## 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 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, build a Conference Center and build the First Phase of the Family Sports Park. Funding for this bond was 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 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. As discussed in the Special meeting 14 May, the bonds were modified to split out the last 4 years as a separate section and sell them as Build American Bonds. Under this proposal the first 26 years will be tax free and have a reduced interest rate and the last 4 year or approximately \$7million will be sold as taxable Build American Bonds and the U.S. Treasury Department will refund 35% of the interest back to the city. This action has delayed the final ordinance until Monday but results in an overall saving to the City of at least \$1.4 million. Also the addition of the Telecommunication Tax will allow a reduction in the amount of bond payments coming from Prop S funds and will result in approximately \$1.2 Million of Prop S funds annually to be allocated to Streets, Sidewalks and Storm Water or \$36 Million over the life of the bonds. The Final ordinance will be available Monday afternoon and everyone will have a copy at Council.

**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 and decrease the bond interest rate. It will also result in additional funds available for Prop S. The City will receive an additional \$10 million for the Family Sports Park with out an increase in bond payments (although the length and cost do increase) and we free up \$36 Million for infrastructure under Prop S.

**Staff recommendation:** Recommend approval