



# City Council Report

**Date:** April 19, 2021  
**To:** City Council  
**Through:** Chris Brady, City Manager  
Michael Kennington, Deputy City Manager/Chief Financial Officer  
**From:** Ryan Wimmer, Treasurer  
**Subject:** General Obligation Bond Refunding – Series 2021

## **Purpose**

The purpose of the proposed general obligation bond refunding is to allow the City to take advantage of favorable interest rates in the municipal bond market to refund (refinance) existing bonds over the same timeframe at a lower cost.

Council approval of the refunding action would authorize the sale of the following bond issuance:

- Series 2021 General Obligation Refunding Bonds (the “Series 2021 Refunding Bonds”)  
Principal: not-to-exceed \$17,675,000

The proceeds from the sale of the Series 2021 Refunding Bonds would be used to redeem the following previously issued bonds at, or prior to, maturity:

- Series 2011 General Obligation Bonds (the “Bonds Being Refunded”)  
Principal: \$17,675,000

## **Background**

The Bonds Being Refunded were issued in 2011 with maturities each year until 2031 and pay annual interest of 3% to 4.25%. The Bonds Being Refunded are subject to optional redemption on or after July 1, 2021.

## **Discussion**

The Series 2021 Refunding Bonds would replace the Bonds Being Refunded with maturities through 2031 at a significantly lower cost (also accounting for transaction costs). The refunding savings would accrue to the City's general obligation debt service fund.

The proposed refunding is similar to refunding transactions that the City has completed

in previous years. It reflects the City's ability to take advantage of lower interest rates to achieve debt service savings for the City.

### **Structure**

The proposed Series 2021 Refunding Bonds have a final maturity of 10 years. A schedule of existing debt service as well as estimated debt service from the Series 2021 Refunding Bonds can be found in the Estimated Debt Service Requirements table on page 13 of the attached Preliminary Official Statement (POS).

### **Fiscal Impact**

The municipal bond market will continue to be monitored to ensure that the Series 2021 Refunding Bonds would have a net present value savings exceeding 3% of the debt service amount of the Bonds Being Refunded, as required by the City's financial policies.

Preliminary savings estimates from the recommended refunding transaction are as follows:

<b>Estimated Savings \$ (net present value)</b>	<b>Estimated Interest Cost %</b>	<b>Estimated Savings % of principal (net present value)</b>
\$3.0 million	1.5%	17%

### **Alternatives**

The Council could choose not to proceed with the Series 2021 Refunding Bonds at this time. The City would pay higher than market interest rates on the Bonds Being Refunded after they become eligible for early redemption on July 1, 2021. The City could refund the Bonds Being Refunded at any time in the future after that date.