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MEMORANDUM

TO: Honorable Mayor and Members of the Common Council

FROM: Peggy Steeno, Finance Director

DATE: September 14, 2017

RE: Authorize Resolution Awarding the Sale of \$8,935,000 General Obligation Corporate Purpose Bonds, Series 2017A

BACKGROUND

Following the approval of: the 2017 Capital Improvement Program (CIP) in November of 2016; the reimbursement declaration in January of 2017, allowing projects to get underway; and the initial borrowing resolutions, that were approved in June of 2017, stating the intent to borrow as well as authorizing staff to proceed with the preparation and documentation needed to sell the bonds and receive the proceeds, this is the final step in the 2017 borrowing process for our general obligation needs. As noted in the June Council communication, the sale of the bonds needed to occur at least 30 days after the initial resolution was authorized, and this requirement has been satisfied.

As is normal practice, the bonds, as outlined above, will be offered to the public through a competitive sale at 10 a.m. on Tuesday, September 19. Following the sale, and tentative agreement, the sale and its terms will be presented for approval to the Council at Tuesday's meeting.

ANALYSIS

While we will not be able to do an exact dollar analysis of the bids until they are received on Tuesday, September 19, the information below will provide details of a typical tax-exempt borrowing.

Tax-Exempt Borrowing Option – This is the traditionally lowest cost option to obtain funds for public use. There are certain requirements that the City must follow in executing the bonds which include the proper use, recordkeeping, and accountability of the funds.

While market conditions and specific bidders dictate what the actual interest rates are, and we will not have the exact numbers until next week, we do know that the current interest rate for this type of offering is in the range of 2.30% - 2.80% for fifteen year bonds. This range is based on recent public borrowings that have taken place. This is a very acceptable range in light of current economic conditions.

FISCAL IMPACT

The above amounts will be added to the City's outstanding debt obligations, with the bonds being paid off over fifteen years. The interest expense, i.e., the cost of borrowing the funds, that will be incurred over this period of time will be determined next Tuesday and presented to the Council at the meeting that evening.

RECOMMENDATION

Staff recommends adoption of the above-noted resolution.