



HIGHLAND CITY

HIGHLAND CITY COUNCIL AGENDA

Tuesday, March 17, 2020

Highland City Council Chambers, 5400 West Civic Center Drive, Highland Utah 84003

~~6:00 PM YOUTH COUNCIL AND CITY COUNCIL MEET AND GREET –
INFORMAL MEETING (EXECUTIVE CONFERENCE ROOM) Postponed~~

7:00 PM REGULAR SESSION (CITY COUNCIL CHAMBERS)

Call to Order – Mayor Rod Mann

Invocation – Council Member Kurt Ostler

Pledge of Allegiance – Council Member Brittney P. Bills

1. UNSCHEDULED PUBLIC APPEARANCES

Time has been set aside for the public to express their ideas, concerns, and comments. (Please limit comments to three minutes per person. Please state your name and address.)

2. CONSENT ITEMS (5 minutes)

Items on the consent agenda are of a routine nature or have been previously studied by the City Council. They are intended to be acted upon in one motion. Council members may pull items from consent if they would like them considered separately.

a. No Consent Items to Approve

3. PUBLIC HEARING: 2020 BOND SERIES PROPOSAL TO REFINANCE THE 2009 GENERAL OBLIGATION AND THE 2015 SALES AND FRANCHISE TAX BOND *Legislative (20 minutes)*

City Council will hold a public hearing to allow public input regarding (a) the issuance and sale by Highland City, Utah of not more than \$3,800,000 aggregate principal amount of sales and franchise tax revenue refunding bonds, series 2020; and (b) any potential economic impact that the project to be financed with the proceeds of the series 2020 bonds issued under the act may have on the private sector; and related matters.

4. MAYOR/COUNCIL AND STAFF DISCUSSION AND COMMUNICATION ITEMS

a. City Garbage Services Contracts

b. Future Meetings

- March 24, Planning Commission Meeting, 7:00 pm, City Hall
- March 31, City Council Meeting 7:00 pm, City Hall

ADJOURNMENT

In accordance with Americans with Disabilities Act, Highland City will make reasonable accommodations to participate in the meeting. Requests for assistance can be made by contacting the City Recorder at (801) 772-4505 at least three days in advance of the meeting.

ELECTRONIC PARTICIPATION

Members of the City Council may participate electronically via telephone, Skype, or other electronic means during this meeting.

CERTIFICATE OF POSTING

I, Stephannie Cottle, the duly appointed City Recorder, certify that the foregoing agenda was posted at the principal office of the public body, at the Lone Peak Fire Station and Lone Peak Police Station, on the Utah State website (<http://pmn.utah.gov>) and on Highland City's website (www.highlandcity.org).

Please note the order of agenda items are subject to change in order to accommodate the needs of the City Council, staff and the public.

Posted and dated this 12th day of March, 2020

Stephannie Cottle, City Recorder

THE PUBLIC IS INVITED TO PARTICIPATE IN ALL CITY COUNCIL MEETINGS.

PLEASE BE AWARE THE GOVERNOR HAS RECOMMENDED THAT MASS GATHERINGS BE LIMITED TO 100 OR LESS, AND 20 OR LESS FOR INDIVIDUALS OVER 60. TO ACCOMMODATE THIS RECOMMENDATION, THIS MEETING WILL BE STREAMED LIVE ON HIGHLAND CITY'S YOU TUBE CHANNEL. <http://bit.ly/HC-youtube>

WE ENCOURAGE THOSE WHO WOULD LIKE TO ATTEND TO DO SO VIA THIS METHOD.



CITY COUNCIL AGENDA REPORT ITEM #3

DATE: March 17, 2020
TO: Honorable Mayor and Members of the City Council
FROM: Gary LeCheminant, Finance Director
SUBJECT: PUBLIC HEARING: 2020 BOND SERIES PROPOSAL TO REFINANCE THE 2009 GENERAL OBLIGATION AND THE 2015 SALES AND FRANCHISE TAX BOND

PURPOSE:

The City Council will hold a public hearing to allow public input regarding (a) the issuance and sale by Highland City, Utah of not more than \$3,800,000 aggregate principal amount of sales and franchise tax revenue refunding bonds, series 2020; and (b) any potential economic impact that the project to be financed with the proceeds of the series 2020 bonds issued under the act may have on the private sector; and related matters.

BACKGROUND:

Current Bond Status

The City currently has three outstanding bonds:

1. 2015 Sales and Franchise Tax Revenue Bond that originally funded the Justice Center and Fire Station
2. 2016 Sales and Franchise Tax Revenue Bonds which originally funded the purchase of park property
3. 2009 Pressurized Irrigation (PI) General Obligation Bond.

The proposed refund would combine the 2015 and 2009 bonds into one Sales and Franchise Tax Revenue Bond. It would not affect the 2016 bond as the terms of that bond do not allow for early payment through refinancing.

The 2009 General Obligation Bond has payments due for the next three years. The total outstanding principal at this time is \$1,185,000. The remaining principal payments along with their associated interest rates are shown in the table below:

| Principal | Interest Rate | Payment Due Date |
|-----------|---------------|------------------|
| \$380,000 | 4.00% | 5/1/2019 |
| \$395,000 | 4.00% | 5/1/2020 |
| \$410,000 | 4.125% | 5/1/2021 |

The 2015 Sales and Franchise Tax Bond has payments due for the next seven years. The

total outstanding principal at this time is \$2,851,000. The remaining principal payments along with their associated interest rates are shown below:

| Principal | Interest Rate | Payment Due Date |
|-----------|---------------|------------------|
| \$371,000 | 1.85% | 9/1/2020 |
| \$384,000 | 2.15% | 9/1/2021 |
| \$398,000 | 2.50% | 9/1/2022 |
| \$397,000 | 2.75% | 9/1/2023 |
| \$422,000 | 3.00% | 9/1/2024 |
| \$442,000 | 3.15% | 9/1/2025 |
| \$437,000 | 3.30% | 9/1/2026 |

Potential Refinancing Options

The new bond would be called the Sales and Franchise Tax Revenue Refunding Bond, Series 2020. There are two different ways this bond might be purchased. First, the bonds could be purchased as one whole bond with the interest rate the same for all the principal payments. Second, the bonds can be purchased as a serial bond where each of the bond principal payments would in essence be treated as a separate bond with its own interest rate. This is the same way the current 2015 bond is treated as shown above.

The table below shows what the new bond principal payments might look like if it was purchased under the first scenario as one whole bond. Please note that this is just an example. The City won't know the true payments and interest rate until the City formally seeks to refinance.

| Principal | Interest Rate | Payment Due Date |
|-----------|---------------|------------------|
| \$795,000 | 1.86% | 9/1/2020 |
| \$809,000 | 1.86% | 9/1/2021 |
| \$407,000 | 1.86% | 9/1/2022 |
| \$404,000 | 1.86% | 9/1/2023 |
| \$425,000 | 1.86% | 9/1/2024 |
| \$439,000 | 1.86% | 9/1/2025 |
| \$428,000 | 1.86% | 9/1/2026 |

In this scenario, the first two payments are higher than the last four. This is because the first two payments are the sum of the 2009 and 2015 bond payments. After September 1, 2021, the PI bond would get paid off and that portion of the new bond payment would go away. If the PI bond was not refunded, the final payment would have been May 1, 2022.

Under the scenario above, the total savings of refunding would be approximately \$118,000, or \$102,000 when discounted to its present value savings. The savings would be

spread out from fiscal year 2020 to fiscal year 2027 as shown in the table below.

| Fiscal Year | Savings |
|-------------|----------|
| 2020 | \$13,087 |
| 2021 | \$22,031 |
| 2022 | \$22,300 |
| 2023 | \$12,584 |
| 2024 | \$11,692 |
| 2025 | \$12,604 |
| 2026 | \$12,339 |
| 2027 | \$12,230 |

It is also possible for the bond to be purchased under the second method where each of the bond principal payments would in essence be treated as a separate bond with its own interest rate. Due to the number of unknowns with interest rates and principal payments in a bond that fluctuates that much, staff is not able to generate an estimated payment or savings schedule.

Next Steps

In order for the City to pursue refinancing the bonds, the City Council needs to approve the attached Resolution which outlines the parameters of the potential refinancing. Below are the important highlights of the Resolution:

- The principal amount will not exceed \$3,800,000.
- The bond will not mature in more than 10 years.
- The price shall not be less than 98% of the total amount we are seeking to refinance.
- The interest rate(s) shall not exceed 3% per annum.
- The Mayor and the Finance Director are appointed as “Designated Officers”.
- The Designated Officers are given the authority to approve the principal amounts, interest rates, terms, maturities, and purchase price at which the Series 2020 may be sold.
- The City reserves the right to not issue the Series 2020 Bonds for any reason and at any time up to the issuance of the Series 2020 Bonds. In other words, the City can stop the deal for any reason at no cost to the City so long as we have not signed a term sheet with the purchaser of the bond.

The Resolution is designed to be very broad and give the latitude needed for the Finance Director to seek the refinance the bonds. In reality, the City would not commit to refinancing the bonds if it is not a good deal for the City. For example, if the new bond extends the payments longer than is already planned, or sets an interest rate near 3%, or does not offer the full amount we are seeking to refinance, it is very unlikely that it would be a good deal for the City and as such the Designated Officers would choose not to refinance.

FISCAL IMPACT:

The issuance of the new bond may save the City \$118,000 (\$102,000 in present value terms) from Fiscal Year 2020 through Fiscal Year 2027. The savings on the 2015 Bond would be \$80,000 and the savings on the 2009 Bond would be \$22,000 (present value terms). These savings include the fees associated with refinancing the bonds. Again, final numbers will not be known until the City formally seeks to refinance.

The payment on the part of the new bond that relates to refunding the PI bond will still be made out of the Pressurized Irrigation Fund so that there is not additional money flowing out of the General Fund to make the new 2020 Bond payment.