



## STAFF REPORT

**DATE:** November 7, 2017  
**TO:** Ronald L. Olson, City Manager  
**FROM:** Jonathan Locke, Executive Director of Finance  
**SUBJECT:** Budget Amendment

### **BACKGROUND AND FINDINGS:**

Current market conditions are such that \$30,295,000 in outstanding bonds can be refunded, saving the City an estimated \$2.2 million over the life of the bonds. The estimated savings are contingent on market conditions remaining favorable and will come from issuing new bonds with lower interest rates to pay off existing debt at a higher interest rate. The delegation ordinance approved by City Council authorizes a principal amount up to \$40,115,000 instead of \$30,295,000 to allow room for bonds that currently fall just outside the parameters established in the ordinance.

<b>Bond Refunding</b>	<b>Revenues</b>
Bond Proceeds	\$40,115,000
<b>TOTAL</b>	<b>\$40,115,000</b>

<b>Bond Refunding</b>	<b>Expenditures</b>
Payment to Escrow Refunding Agent	\$39,640,000
Refunding Agent Costs	\$475,000
<b>TOTAL</b>	<b>\$40,115,000</b>

### **THE ALTERNATIVES CONSIDERED:**

- (1) Approve the bond refunding to save an estimated \$2.2 million over the life of the refunded bonds.
- (2) Do not issue refunding bonds and forego the savings.

### **Which alternative is recommended? Why?**

Staff recommends option 1 because of the significant savings achieved over the life of the refunded bonds.

### **CONFORMITY TO CITY POLICY:**

City Charter, Article VII., Section 71

**FINANCIAL IMPACT:**

The maximum principal amount is being set at \$40,115,000 instead of \$30,295,000 to allow room for bonds that currently fall just outside the parameters. If market conditions improve such that the additional bonds fall within the parameters, the City will be able to refund up to \$40,115,000 for even more savings of at least 5% present value. The current estimated savings for the \$30,295,000 in refunding is \$2.2 million over the life of the refunded bonds.

**What is the amount of the expenditure in the current fiscal year? For future years?**

The current estimate includes a total of \$30,295,000 in bond proceeds being received from the issuance of the refunding bonds. The bond proceeds will be transferred to an escrow account to retire the old bonds when callable. The delegation ordinance is for \$40,115,000, which includes additional bonds that are just outside the parameters established in the delegation ordinance. If market conditions improve such that the additional bonds fall within the parameters, the City would be able to refund additional bonds for increased savings.

**Is this a one-time or recurring expenditure?**

This is a one-time expenditure.

**Is this expenditure budgeted?**

A budget amendment is required.

**If not, where will the money come from?**

Funding to retire the old bonds will be generated from the sale of the refunding bonds. The attached budget amendment recognizes revenue from the issuance of refunding bonds up to the established principal threshold of \$40,115,000 and expense in the same amount of \$40,115,000 to cover issuance costs and retire the old bonds.

**Is there a sufficient amount in the budgeted line-item for this expenditure?**

Upon approval of the budget amendment

**RECOMMENDATION:**

Staff recommends that the City Council approve this ordinance amending the FY 2018 Annual Budget and Plan of Municipal Services of the City of Killeen by increasing revenue and expenditure accounts for the issuance of General Obligation Refunding Bonds.

**DEPARTMENTAL CLEARANCES:**

City Attorney  
Finance

**ATTACHED SUPPORTING DOCUMENTS:**

Ordinance