



Request for City Council Committee Action From the Finance Department

Date: April 26, 2004
To: Ways and Means Committee
Referral to: None

Subject: Refunding of April 1993 Convention Center Facilities Bonds for Savings

Recommendation:

Request the Board of Estimate & Taxation to issue General Obligation Convention Center Refunding Bonds in an amount not to exceed \$60,000,000.

Previous Directives

January 1990 \$98,500,000 of Convention Center Facilities Bonds were issued in variable rate mode.

April 1993 \$15,000,000 of above issue was called for redemption & the remaining amount of the issue was converted to fixed rate bonds.

Prepared or Submitted by Michael Abeln, Director, Capital & Debt Management, 673-3496

Approved by: Patrick Born, City Finance Officer _____

John Moir, City Coordinator _____

Presenters in Committee Michael Abeln, Director, Capital & Debt Management

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): Interest savings from Current Refunding of Bonds
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (use any categories that apply)

- Neighborhood Notification
- City Goals
- Comprehensive Plan
- Zoning Code
- Other

- Not applicable

Background/Supporting Information Attached

In January of 1990, \$98,500,000 of General Obligation Convention Center Facilities Bonds were issued in variable rate mode. In April of 1993, \$15,000,000 of the above bonds were called for redemption and the remaining bonds were converted to fixed rate bonds. There are two components currently outstanding related to this issue A) \$39,370,000 of bonds allocated to the convention center and B) \$19,130,000 of bonds allocated to parking facilities (\$7,995,000 for the Plaza Ramp and \$11,135,000 for the Hilton Ramp). Currently, the fixed rate bonds outstanding carry interest rates ranging from 4.9% for the 2005 maturities to 5.45% for the 2014 maturity and are above current market interest rates. Therefore there is an opportunity to capture debt service savings by performing a current refunding.

The Finance department is recommending the Convention Center bond allocation be refunded with fixed rate bonds. Based on current market conditions, the fixed rate refunding bonds are estimated to have a 2005 coupon rate of 1.65% and a 3.9% rate for the 2014 maturity. The present value savings are estimated at 8% or approximately \$3.4 million less than the existing debt service. The refunding issue would be structured to capture the savings approximately evenly through 2009.

The Finance department is recommending the parking component bonds be refunded with variable rate bonds. The variable rates used for illustration are 2% for 2004 and 3.5% for the balance of the bond term. This would result in present value savings estimated at 8.2% or approximately \$1.7 million less than existing debt service. The refunding issue would be structured to capture the savings approximately evenly through 2009. These savings would benefit the parking fund. A second management objective of increasing the variable rate debt associated with the parking fund would also be accomplished.

As with the existing bonds, 2014 will be the last maturity for the refunding bonds. Total estimated present value savings of \$ 5.1 million are subject to interest rate market changes affecting the fixed rate bids and the variable interest rates that will be experienced through 2014.

The refunding bonds are expected to be included with other bonds sold in June 2004.

See attachment for supporting details.