



## **Staff Report**

For City Council Meeting - 4/7/2021

### ***Subject - New Business - Discussion - H2O Bond Refinance***

**Synopsis:** Bond refinancing is done by authorization of the Gearhart City Council. The benefit of refinancing will directly affect the Gearhart taxpayer. City staff has been working with the team from Hawkins Delafield & Woods LLP and Jonas Biery, Vice President and Public Finance Banker at D.A. Davidson & Co to help lead a discussion of the options. Should the Council choose to proceed with refinancing the Series 2011 bond, a resolution would be drafted and presented to the Council at a public meeting.

**Recommendation:** Staff recommends approving the resolution moving forward with the refinancing of the Series 2011 Bond as the interest rates are low. Staff recommends refunding under the front-load savings scenario as future bonds for the fire station may be considered. Front loading will cause larger savings in the near term debt service.

Mr. Biery will be on hand to discuss the options and savings.


**Legal Analysis:** As explained within the staff report.

**Financial Analysis:** Currently, the 2011 bond produces an average tax rate of \$0.39 per/\$1,000 for property owners. Refinancing would save the taxpayers approximately \$300,000 long term with an average future rate of \$0.35.

***Two levy analysis documents are attached:***

- 1) Front-Load Savings Scenario
- 2) Level Savings Scenario

Respectfully Submitted,



Chad

## RESOLUTION NO. 956

### A RESOLUTION OF THE CITY OF GEARHART, OREGON AUTHORIZING REFUNDINGS OF GENERAL OBLIGATION BONDS.

**Whereas**, the City of Gearhart (the “City”) may be able to reduce its debt service expense and the property tax levies by refunding all or a portion of its outstanding General Obligation Bond, Series 2011 (the “Outstanding Bonds”); and

**Whereas**, the City is authorized by ORS Section 287A.360 to 287A.380 to issue bonds to refund outstanding general obligation bonds; and

**Whereas**, the City has determined that it is in the best interest of the taxpayers of the City to refund all or a portion of the Outstanding Bonds;

NOW, THEREFORE, the City Council of the City of Gearhart (the “Council”) resolves as follows:

**Section 1. Refunding Bonds Authorized.** The City hereby authorizes the issuance of general obligation refunding bonds (the “Refunding Bonds”) to refund the Outstanding Bonds and achieve debt service savings. The Refunding Bonds may be issued in an amount that is sufficient to refund all or any portion of the Outstanding Bonds and to pay costs related to issuing the Refunding Bonds and refunding the Outstanding Bonds.

**Section 2. Delegation.** The Mayor, the City Administrator or the person designated by either of those to act on behalf of the City pursuant to this Resolution (each a “City Official”) may, on behalf of the City and without further action by the Council:

- (1) Sell and issue all or any portion of the Refunding Bonds in one or more series, which may be sold at different times.
- (2) Determine whether the refunding of the Outstanding Bonds produces adequate savings, and issue the Refunding Bonds if the City Official determines that the refunding produces adequate savings.
- (3) Participate in the preparation of, authorize the distribution of, and deem final any official statement or other disclosure documents relating to each series of the Refunding Bonds.
- (4) Establish the payment terms and dates and other terms of each series of the Refunding Bonds.
- (5) Execute and deliver a bond declaration for each series of the Refunding Bonds specifying the terms under which each series of the Refunding Bonds are issued and making covenants for the benefit of Bondowners and any providers of credit enhancement for the Refunding Bonds.
- (6) Publish a notice of sale, receive bids and award the sale of each series of the Refunding Bonds to the bidder complying with the notice and offering the most favorable terms to the City, or select one or more underwriters, commercial banks or other lenders and negotiate the sale of any series with those underwriters, commercial banks or lenders.

- (7) Undertake to provide continuing disclosure for each series of the Refunding Bonds and to comply with Rule 15c2-12 and any other applicable requirements of the United States Securities and Exchange Commission and any other federal agencies.
- (8) Apply for ratings for each series of the Refunding Bonds, determine whether to purchase municipal bond insurance or obtain other forms of credit enhancements for each series of the Refunding Bonds, enter into agreements with the providers of credit enhancement, and execute and deliver related documents.
- (9) Engage the services of verification agents, escrow agents, paying agents and any other professionals whose services are desirable for the Refunding Bonds and negotiate the terms of and execute any agreement with such professionals.
- (10) Determine whether each series of the Refunding Bonds will bear interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended (the "Code"), or is includable in gross income under the Code. If a series bears interest that is excludable from gross income under the Code, the City Official may enter into covenants to maintain the excludability of interest on that series of the Refunding Bonds from gross income.
- (11) Provide for the call, defeasance, and redemption of any Outstanding Bonds that are refunded and enter into related agreements.
- (12) Execute and deliver any agreements or certificates and take any other action in connection with each series of the Refunding Bonds which the City Official finds is desirable to permit the sale and issuance of that series of the Refunding Bonds in accordance with this Resolution.

**Section 3. Security for Bonds.** The Refunding Bonds shall be general obligations of the City. Pursuant to ORS 287A315, the City hereby pledges its full faith and credit to pay the Refunding Bonds, and the City covenants for the benefit of the Bond owners that the City shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, after considering discounts taken and delinquencies that may occur in the payment of such taxes, to pay the Refunding Bonds promptly as they mature.

**Section 4. Effective Date.** This resolution shall take effect immediately upon adoption.  
ADOPTED by the Council this 7<sup>th</sup> day of April, 2021.

**CITY OF GEARHART,  
CLATSOP COUNTY, OREGON**

By: \_\_\_\_\_  
Paulina Cockrum, Mayor

**ATTEST:**

By: \_\_\_\_\_  
Chad Sweet, City Administrator

City of Gearhart - GO Bond Levy Analysis  
 2021 Refunding (Front-Load Savings Scenario)

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Indicative Rates as of February 24, 2021

Financing Results Summary - 2021 Refunding	
Dated Date	5/27/2021
Final Maturity	3/1/2031
Par Amount	\$2,265,000
Project Fund	\$0
Bond Yield	1.106%
All-in TIC	1.783%

Levy Year (3/1 & 9/1)	Taxable AV Assumption	Assumed AV Growth Rate
2019	560,209,598	4.83%
2020	591,491,907	5.58%
2021	618,472,750	4.56%
2022	637,026,933	3.00%
2023	656,137,740	3.00%
2024	675,821,873	3.00%
2025	696,096,529	3.00%
2026	716,979,425	3.00%
2027	738,488,807	3.00%
2028	760,643,472	3.00%
2029	783,462,776	3.00%
2030	806,966,659	3.00%
2031	831,175,659	3.00%
2032	856,110,929	3.00%
2033	881,794,257	3.00%
2034	908,248,084	3.00%
2035	935,495,527	3.00%
2036	963,560,393	3.00%
2037	992,467,204	3.00%
2038	1,022,241,220	3.00%
2039	1,052,908,457	3.00%
2040	1,084,495,711	3.00%
2041	1,117,030,582	3.00%

Existing GO Bonds			
Series 2015 GO Refunding	Series 2011 GO	Total Existing Debt Service	Bond Levy Pre Refunding
489,575	292,556	782,131	1.402
489,475	291,331	780,806	1.309
490,000	289,031	779,031	1.274
493,675	291,188	784,863	1.270
488,163	292,688	780,851	1.227
493,300	288,869	782,169	1.193
484,500	289,731	774,231	1.147
	290,169	290,169	0.417
	295,172	295,172	0.412
	294,744	294,744	0.399
	293,897	293,897	0.387
	292,631	292,631	0.374
	290,947	290,947	0.361
<b>\$3,428,688</b>		<b>\$7,221,641</b>	

Scenario 2: Refund 2011 GO Front-Load Savings)			
Debt Service Requirements			
Series 2021 GO Refunding Bonds	New Total Debt Service	2021 GO Ref Bonds	Post-Issuance Total Levy
17,743	746,609	0.030	1.271
225,550	719,225	0.365	1.164
225,675	713,838	0.355	1.122
220,725	714,025	0.337	1.089
225,625	710,125	0.334	1.052
289,325	289,325	0.416	0.416
291,825	291,825	0.407	0.407
294,025	294,025	0.399	0.399
291,000	291,000	0.383	0.383
292,750	292,750	0.374	0.374
289,275	289,275	0.359	0.359
0	0	0.000	0.000
0	0	0.000	0.000
0	0	0.000	0.000
0	0	0.000	0.000
0	0	0.000	0.000
0	0	0.000	0.000
0	0	0.000	0.000
0	0	0.000	0.000
0	0	0.000	0.000
0	0	0.000	0.000
0	0	0.000	0.000
<b>\$2,663,518</b>	<b>\$5,352,022</b>		

Average Levy Rate 2022-2031 0.719

Average Levy Rate 2022-2031 0.373 0.676



