



CITY OF GAHANNA  
DEPARTMENT OF FINANCE

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**To:** Becky Stinchcomb  
Members of Council  
City Attorney

**From:** Jennifer Teal  
Assistant City Administrator/Director of Finance

**Date:** June 4, 2015

**Action Items**

The Department of Finance has no action items to request.

**Update Items**

**Update Item #1—Tax Budget**

Pursuant to ORC 5705.30, the City's annual Tax Budget is due to be filed with the County Auditor on or before July 20, 2015. Finance will bring the Tax Budget to Committee on June 22<sup>nd</sup>. At that time, will request a motion resolution that approves the Tax Budget and directs and authorizes the Director of Finance to deliver it to the County no later than July 20<sup>th</sup>. Ideally this would be voted on July 6<sup>th</sup>.

The 2016 Tax Budget will be based upon the City's ongoing operations included in the Sustainable Operating Model. It will not include amounts for one-time expenditures such as capital investments—these will be fully deliberated through the 2016 budget process this fall.

**Update Item #2—2015 Bond Deal Recap**

The bond deal authorized by Council earlier this year was successfully completed and closed on June 3<sup>rd</sup>. The bond deal included an advanced refunding of \$1,035,000 in 2005 bonds and \$6,405,000 in 2007 bonds as well as \$5,095,000 in new money for critical road improvements. The City bid these bonds competitively on Wednesday May 20<sup>th</sup>. We received 5 bids, and the lowest, Fifth-Third Bank, offered a very competitive price for our bonds with a true-interest-cost of 2.7999%.

After receiving bids on the bonds, we ran into unprecedented complications receiving bids on the escrow funds that are required for the refunding portion of the deal. We put the escrow out to bid four times (twice on Wednesday, twice on Thursday) before receiving the requisite number of bids to process the deal. This was a stressful time for staff to be sure, but our financial advisors bond counsel, and Fifth-Third worked hard to ensure that the deal would be successful.

The net present value (NPV) of our refunding deal is 6.748%, which well exceeds our mandated savings threshold of 4%. The average annual cash flow savings to the City for this deal will be \$46,639.22. The

present value of the net savings to the City through 2027 is \$501,052.69. The Sustainable Operating Model had already included an estimate of \$45,000 per year for these savings, but I will update it with the final numbers and provide a revised forecast when we report our second quarter financials in July.

We requested that our financial advisors provide a comparison with other deals with comparable credit ratings and that settled around the same time (attached). They pulled several national Aa1 rated credits and compared the yield to call and yield to maturity for each. All competitive sales looked better than the negotiated sales those days, but we do not have the final underwriting discounts, so it is not an apples to apples comparison. We can comfortably say that we were served well by going competitive, but based upon market conditions, and with all the numerous variables at play, it is impossible to exactly quantify the difference. We do know that the issue was well received in the market with 5 bids and several other firms interested in the deal.

As mentioned above, the primary complication with the deal was securing escrow bids on the refunding portion of the deal. The main reason this occurred was the Federal Government reaching its debt ceiling and being unable to offer State and Local Government Securities (SLGS) to match our needs for the refunding. Consequently, we had to put our escrow portfolio out to bid. Based on market conditions and the small size of our deal, it was difficult to find enough institutions willing to bid on our deal (IRS regulations require that we have three good bids.) The competitive sale aspect further complicated the escrow situation, because we did not have the latitude to negotiate the final deal structure on the day of sale to match the needs of the escrow bidding community. We will likely not have any bond refunding on the horizon for the next few years, however if and when we do, we should be cognizant of the issues that competitively bidding a deal when SLGS are unavailable can create and contemplate alternative deal types.