
M E M O R A N D U M

DATE: August 2, 2002
TO: City Council Members
FROM: Russell Weeks
RE: Library General Obligation Building & Refunding Bonds, Series 2002
CC: Cindy Gust-Jenson, Rocky Fluhart, Dan Mulé, Nancy Tessman,
Gordon Hoskins, Steve Fawcett, Gary Mumford, Michael Sears

This memorandum pertains to the proposed refunding of some of the \$81 million in general obligation bonds issued to develop the new main library, the public plaza south of the new building, a roughly 600-stall underground parking garage and a new heating and cooling plant to serve the library and the City & County Building. The Administration also is proposing to issue the remaining \$3 million of the \$84 million in general obligation bonds

MOTION OPTIONS

- I move that the City Council adopt the resolution authorizing the issuance and sale of general obligation building and refunding bonds Series 2002 in an aggregate principal amount of \$53,385,000.
- I move that the City Council not adopt the resolution authorizing the issuance and sale of general obligation building and refunding bonds Series 2002 in an aggregate principal amount of \$53,385,000.

DISCUSSION/BACKGROUND

The Administration briefed the City Council about the proposed bond issue at the City Council's meeting July 16.

The Administration is proposing to refinance some of the \$81 million in bonds that were issued in November 1999. Salt Lake City voters in 1998 approved issuing up \$84 million in general obligation bonds to build a new main library and other projects. The Administration also is proposing to issue the remaining \$3 million of the \$84 million in general obligation bonds.

It should be noted that during a City Council briefing in May on the Salt Lake City Library System budget and on Page 6 of the Library System's proposed budget for the current fiscal year Library System administrators indicated that the remaining \$3 million of the \$84 million would be issued in summer 2002.

According to the Administration's transmittal, "the current interest rate environment provides a favorable opportunity to combine the refunding" of portions of the \$81 million bond issue with issuing the remaining \$3 million in bonds. Long-term, refunding portions of the \$81

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million in bonds would result in a savings of about \$1.9 million over 17 years. Issuing the remaining \$3 million in bonds would result in an additional debt service increase of about \$4.3 million over 17 years.

According to the transmittal, refunding portions of the \$81 million in bonds would result in a savings of about \$110,000 in the current fiscal year, and savings of about \$112,000 a year in debt service costs until the bonds are paid off. The Administration estimates that additional debt service costs from issuing the remaining \$3 million would be \$104,000 in the current fiscal year and about \$263,000 a year until the bonds are paid off.

For homeowners, the refinancing of some of the bonds and issuance of the remaining \$3 million would result in small reductions in property taxes in some years and a roughly \$1 increase in property taxes in other years.

Currently, projected property tax on the \$81 million in bonds for a house valued at \$150,000 ranges from \$37.37 in the year 2003 to \$33.81 in the year 2019. For a house valued at \$200,000 the projected property tax ranges from \$49.83 in 2003 to \$45.08 in 2019. For a house valued at \$250,000 the projected property tax ranges from \$62.29 in 2003 to \$56.35 in 2019.

With the proposed refunding of portions of the \$81 million in bonds plus the issuance of the remaining \$3 million in bonds, the projected property tax for a house valued at \$150,000 ranges from \$37.34 in the year 2003 to \$34.59 in the year 2019. For a house valued at \$200,000 the projected property tax ranges from \$49.79 in 2003 to \$46.12 in 2019. For a house valued at \$250,000 the projected property tax ranges from \$62.23 in 2003 to \$57.65 in 2019.