

CERTIFICATES OF PARTICIPATION

August 16, 2016



Certificates of Participation
for Fire Station #1 and City
Center Phase I.



What is a Certificate of Participation (COP)?

- Instead of buying a bond, investors purchase a piece of the property (including the underlying land)
- The City “purchases back” a portion of the property each year
- After 20 years, ownership of the building transfers to the City
- Not debt because:
 - it is an annual appropriation
 - Does not obligate future Councils to continue the agreement

Successful Past Certificates of Participation Issuances

- 1997: Acquisition and construction of Boomerang Links Golf Course and irrigation improvements to Highland Hills Golf Course.
 - Refunded in 2005; retired in 2016
 - Amount \$6,285,000
- 2000: Construct Island Grove Events Center
 - Retired in 2015;
 - Amount \$2,635,000

COPs are different than Federal Obligations

FEDERAL GOVERNMENT OBLIGATIONS

Can issue obligations
without a plan for
repayment

COPs

Are not considered
debt because
payments are annual
appropriations

Plan is reviewed and
analyzed by rating
agencies

Total Amount

Dependent upon the day of the sale

- \$27,000,000 for total project costs:
 - \$25,000,000 for Fire Station #1 & City Center Phase I
(Municipal Court, IT, Council Chambers, etc.)
 - \$2,000,000 for Water Department
- Borrow additional monies to make interest payments in 2017 and 2018
- All associated issuance costs, including underwriter's payments, will be a part of the borrowing
(Total Estimate: \$200,000)

Sources and Uses: PRELIMINARY

Borrowing enough
to build a three
story building

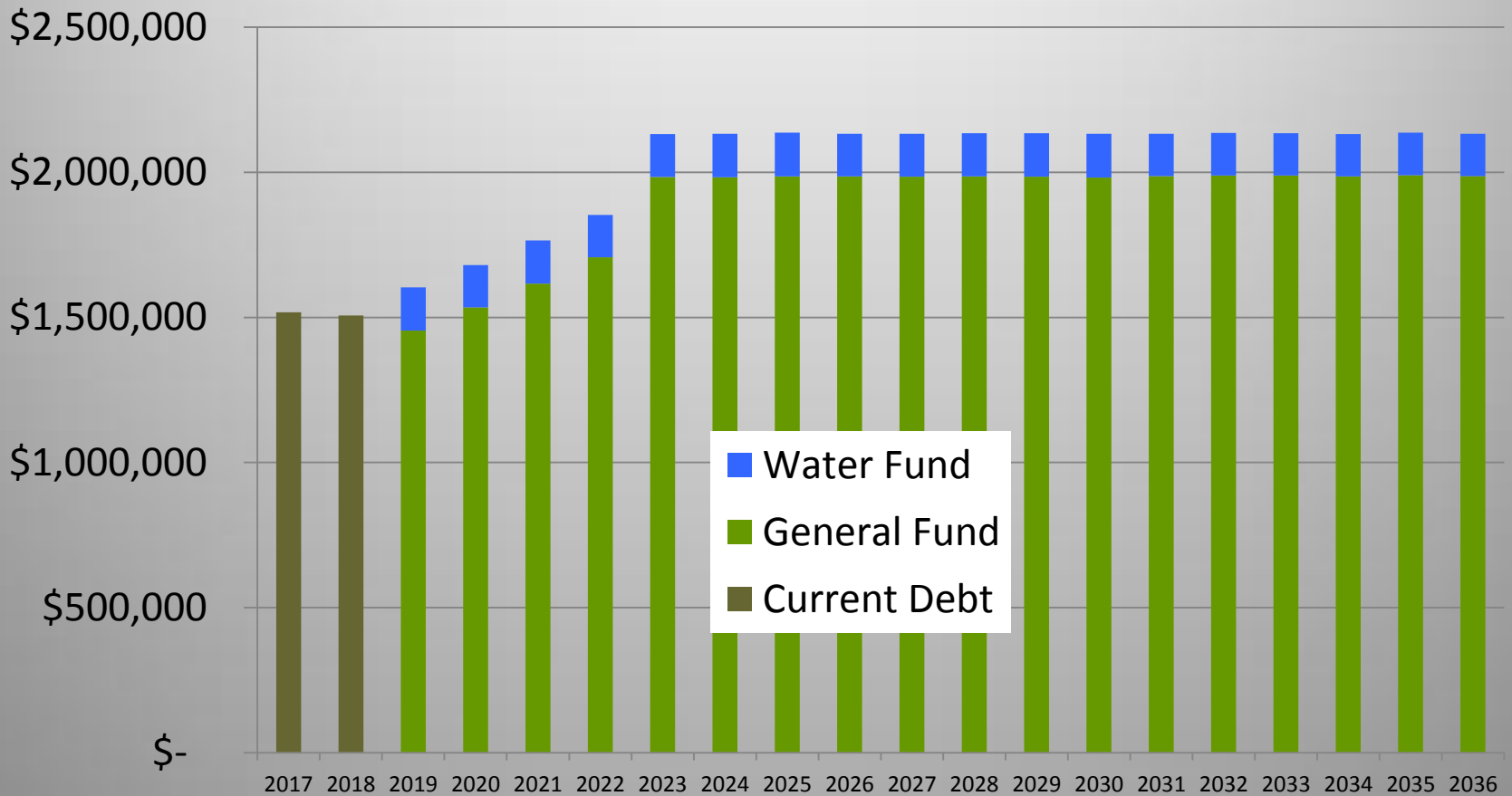
Water Fund paying
their share of the
building

Sources:	
COP proceeds	\$25,360,000
Premium Payments	3,707,352
Total Sources	\$29,062,352
Uses:	
Project Fund	\$27,000,000
Capitalized Interest Fund	1,841,882
Issuance Costs	220,470
Total	\$29,062,352

How are we making annual rent payments?

- Current outstanding debt on bonds sold in 1998 and 2000
- Passed with no additional sales tax authority
 - Currently making payments from the General Fund
- Paying for the COPs from the General Fund
 - Using the same revenue we have dedicated for current debt service
- Water Fund will pay for its share of the costs in lieu of the rent currently paid

PRELIMINARY Payment Schedule for COPS



Other Facts

- 20 year obligation
- Zion's Bank is the Trustee who manages payments and owns the lease until all certificates have been paid

Positive Borrowing Environment

- Selected Stifel Underwriters
- Buyers are interested in paying “premiums.”
 - Paying more for the COPs
 - Allows us to borrow less in principal
- The yield is currently estimated to be between 0.830% and 2.640%

COPs Rated by Standard & Poor's

- Standard and Poor's were selected for rating
 - small size of the COPs
 - associated costs of rating

Summary

- COPs are necessary to complete this project
- COPs have been used responsibly and successfully in the past
- Annual payment can be made without impact to city services
- The ordinance and documents allow the City to sell the COPs on August 30