



**Staff Report**

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**File #:** 21-64  
**Version:** 1

**Date:** 2/22/2021  
**Item #:**

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**TO:** Mayor and City Council  
**THROUGH:** Steve Powers, City Manager  
**FROM:** Robert Barron, Chief Financial Officer

**SUBJECT:**

Authorizing Refundings of General Obligation Bonds.

Ward(s): All Wards  
Councilor(s): All Councilors  
Neighborhood(s): All Neighborhoods  
Result Area(s): Good Governance

**ISSUE:**

Shall the City Council adopt Resolution No. 2021 - 5 authorizing the issuance of general obligation refunding bonds and allow the City Manager, the Chief Financial Officer or a person designated by the City Manager or Chief Financial Officer, to negotiate the terms, covenants and pay costs in connection with the City of Salem refundings of the 2012 and 2013 Streets and Bridges general obligation bonds?

**RECOMMENDATION:**

Adopt Resolution No. 2021-5 authorizing the issuance of general obligation refunding bonds and allow the City Manager, the Chief Financial Officer or a person designated by the City Manager or Chief Financial Officer, to negotiate the terms, covenants and pay costs in connection with the City of Salem refundings of the 2012 and 2013 Streets and Bridges general obligation bonds.

**SUMMARY:**

City Staff monitor economic conditions for refunding opportunities. After discussion with the City's financial advisor and bond counsel, staff recommend that the City refund current eligible general obligation debt at advantageous rates that are reflective of the market. It is estimated that this refunding will result in a savings to taxpayers of approximately \$1.44M between the two bonds.

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## **FACTS AND FINDINGS:**

The low interest rate environment has created opportunities to refund this debt at estimated arbitrage rates of 0.45% for the 2012 bond and 0.31% of the 2013 bond. The refunding is not anticipated to shorten the duration of the debt, but there will be less debt service paid every year. A summary of the estimated savings as prepared by the City's financial advisor is shown in attachment two of this report.

City staff presented the refunding option to the Finance Committee of the Salem City Council and the Urban Renewal Agency of the City of Salem during its regularly scheduled meeting on February 22, 2021.

## **BACKGROUND:**

The voters of the City of Salem authorized the City to issue \$99.8 million of general obligation bonds at the general election held on November 4, 2008, for street and bridge improvements. The bonds were issued in three series; \$34.48 million in 2009 at a rate of 3.6002%, \$25 million in 2012 at a rate of 2.62% and \$43.665 million in 2013 at a remaining coupon rate of 3.32%. The 2009 issuance was paid off in June of 2019. The 2012 bond is currently scheduled to mature in June of 2026 and the 2013 bond is scheduled to mature in June of 2024.

Kelli Blechschmidt  
Management Analyst I

### Attachments:

1. Resolution No. 2021-5
2. Estimated Savings from GO Bonds Refunding