KENAI PENINSULA BOROUGH

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MIKE NAVARRE
BOROUGH MAYOR

MEMORANDUM

TO: Hal Smalley, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Mike Navarre, Mayor MN

FROM: Craig C. Chapman, Finance Director C Chapman

DATE: January 7, 2014

SUBJECT: Amendment to Resolution 2014-008, amending resolution 2013-072 which provided for the issuance of not to exceed $43,000,000 specialty clinic revenue bonds

Resolution 2013-072 authorized the sale of a total of $43,000,000 in revenue bonds including a maximum of $21,500,000 in tax-exempt bonds. The administration recommends that the allowable tax exempt bonds be increased to $25,800,000, which is 60 percent of the total authorized issuance. The interest rate spread between tax-exempt and taxable bonds is currently around 1 percent, or 4.8 percent taxable versus 3.8 percent tax-exempt. With this change, the projected saving in interest expense over the life of the 20-year debt would be approximately $450,000.

The following two amendments to Resolution 2014-008 shown in bold are requested:

- Insert a new Section 1 as follows and renumber the remaining sections:

<u>**SECTION 1. That the fourth Whereas clause in Resolution 2013-072 is amended as follows**</u>:

WHEREAS, a portion of the Bonds, not to exceed **[$21,500,000]** <u>**$25,800,000**</u>, in principal amount, may be issued on a tax-exempt basis to the extent the underlying agreements relating to the use of proceeds, and otherwise, are consistent with relevant provisions of the Internal Revenue Code relating to tax-exempt bonds; and

- Amend the first paragraph of former Section 2 of Resolution 2014-008, now numbered Section 3, by changing $21,500,000 to $25,800,000 as follows:

SECTION **[2]**<u>**3**</u>. That Section 4 of Resolution 2013-072 is hereby amended as follows:

SECTION 4. <u>Date, Maturities, Interest Rates, and Other Details of the Bonds</u>. The Bonds shall be dated on such dates, and mature on such dates not later than [DECEMBER 31, 2034] <u>December 31, 2035</u>, and be designated "Taxable Series" or "Tax-Exempt Series" and shall bear interest from their date payable on such dates, and at such rates, not exceeding 6% per annum, as the Finance Director may fix and determine at or prior to the time of sale of the Bonds. The Tax-Exempt Series of Bonds shall not exceed **[$21,500,000]** <u>**$25,800,000**</u> in principal amount.