



City Council Study Session Report

Subject: 2018 Treasure Hill & Armstrong GO Open Space Bonds
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Department: Budget, Debt, & Grants
Date: August 2, 2018
Type of Item: Administrative- Consideration of Bond Parameters

Summary Recommendation

1. Reduce the Treasure Hill bond amount from \$50.7 million down to \$48 million.
2. Provide policy direction on whether to combine the Treasure Hill Bond with the potential Armstrong open space purchase in order to determine a final bond amount and return on August 16, 2018, with a Bond Resolution.

Executive Summary

An additional \$2.7M in reductions are available to lower the Treasure Hill Bond amount to \$48M. The total reductions are now \$16M as a result of delaying and cutting capital projects. The additional \$2.7M in savings:

- \$1.0M – Bond premium;
- \$1.0M – Sale of property/asset; and
- \$700k – Surplus (FY2018 year-end).

At the July 19 Council meeting, considerable public input was provided in favor of combining Treasure Hill and Armstrong into one open space bond. Staff also received feedback that combining the initiatives may cause unnecessary confusion. Subsequently, staff evaluated two pathways that both capitalize on the City's strong financial position, additional debt capacity, and continue to support the acquisition of Armstrong. Staff is confident we can responsibly execute either scenario:

1. Combined Treasure Hill & Armstrong bond for \$48 million:
 - a. All available funding from the open space portion of the Resort Sales Tax (\$3M) is applied immediately to the Treasure purchase.
 - b. The average primary household property tax increases by \$194.00 annually or \$353.00 for a non-primary household over 15 years.
 - c. If Armstrong cannot be acquired ([Utah Open Lands Information](#)), \$3M in GO/property tax debt would not be issued, resulting in a final lower Treasure Bond at \$45 Million.
 - d. This scenario supports purchase of both properties, yet provides maximum financial flexibility in the event that Armstrong is unavailable.
2. Treasure Hill Bond for \$48M:
 - a. The average primary household property tax would increase by \$194.00 annually or \$353.00 for a non-primary household over 15 years, irrespective of Armstrong.
 - b. Separately, Council resolves to support Utah Open Lands (UOL) and COSAC

- to pursue Armstrong with the Resort Sales Tax revenues (\$3M):
- c. Retains the \$3M allocation in reserve for Armstrong unless otherwise directed.

Background

The FY19 budget process included a significant focus on the Treasure Bond amount - between \$50M and \$55M. Council adopted a budget with \$50.7M for Treasure, after identifying \$13.3M from delayed CIP projects and additional Resort Tax revenue.

On July 12, 2018, UOL presented Council with a potential preservation plan of 19 acres owned by the Armstrong's located near Thaynes Canyon Drive. The total cost for Armstrong is \$6M, with a request that the City match contributions up to \$3M. The City would receive dedicated open space land for the contribution and additional conservation easements in partnership with UOL, and prevent the development of 49 single family homes.

Analysis

The following analysis details a \$48M bond scenario using all available open space funding allocated as part of the 10-year additional Resort Sales Tax:

Figures are based on the newly certified 2018 property tax base and the estimated base and bond rates for 2019.

General Obligation Bonds (GO) \$48 Million		
Bond Amount:	\$	48,000,000
Estimated Annual Debt Service:	\$	4,118,467
Rate Needed:		0.000442
Property Tax Increase (City)		22.8%
Amount per \$100,000 of Taxable Value	\$	44
Example of Tax on Average Primary Residence \$799,214		
Home Assessed Value	\$	799,214
Taxable Value (Primary 55%)	\$	439,568
Current Property Tax (City)	\$	850
PT with Increase	\$	1,044
Total Difference (New Tax for Bond)	\$	194
Tax on Business or Second Residence of the same size - \$799,214		
Assessed Value	\$	799,214
Taxable Value (Primary 55%)	\$	799,214
Current Property Tax (City)	\$	1,546
PT with Increase	\$	1,899
Total Difference (New Tax for Bond)	\$	353

Funding Strategy for \$48 million GO bond:

On July 19, 2018, staff presented a potential joint Treasure Hill and Armstrong concept. Council considered the options and asked for additional community input. Council also directed staff to continue to explore additional funding options to lower the bond amount. Staff recommends the additional funding sources to achieve a \$48M bond:

- 1) **\$700K Year-End Surplus:** The City's FY18 surplus is estimated to be between \$600K and \$800K.
- 2) **\$1.0M Asset Proceeds:** The City is in selling land to another local governmental entity for public safety purposes and closing in FY19.
- 3) **\$1.0M Bond Premium:** Bond counsel estimates a minimum bond premium of \$1M for a bond of \$48M or more.
- 4) **\$3.0M Resort Sales Tax:** Allocates all remaining funding from the Resort Sales Tax 10-year plan. This funding source would only be applied to Treasure if Armstrong is unavailable.

Department Review

This report has been reviewed by the City Attorney's and City Manager's Office.

Summary Recommendation

1. Staff is pleased to report back to Council that the Treasure Hill bond can be reduced from the previously determined \$50.7 million down to \$48 million.
2. Provide policy direction on whether to combine the Treasure Hill Open space purchase with the potential Armstrong open space purchase in order to determine a final bond amount and return on August 16, 2018, with a formal Bond Resolution.

Attachments

Attachment A = Proposed Bond Timeline

[July 19, 2018 Staff Report – City Council Meeting](#)