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A RESOLUTION REQUESTING THE SEDGWICK COUNTY PUBLIC BUILDING COMMISSION TO PROCEED WITH THE SALE OF REFUNDING REVENUE BONDS FOR THE PURPOSE OF REFUNDING THE PBC'S OUTSTANDING REFUNDING REVENUE BONDS (EXPLORATION PLACE PROJECT), SERIES 2003-2; DECLARING AN INTENT TO ENTER INTO A SUPPLEMENTAL LEASE WITH THE PBC RELATING TO SAID REFUNDING REVENUE BONDS; AND MAKING CERTAIN FINDINGS REGARDING OFFERING DOCUMENTS RELATED THERETO.
Presented by: Chris Chronis, Chief Financial Officer.

RECOMMENDED ACTION: Adopt the Resolution and authorize the Chairman to sign.

The Board of County Commissioners (the "Board") of Sedgwick County, Kansas (the "County") has heretofore created The Sedgwick County Public Building Commission, a municipal corporation of the State of Kansas (the "PBC") under the authority of K.S.A. 12-1757 *et seq*., as amended by Charter Resolution No. 48 of the County (the "Act").

The PBC has issued the following revenue bonds: (a) Revenue Bonds, Series A, 1997 (Exploration Place Project), dated August 1, 1997, in the original principal amount of $16,700,000 (the "Series A, 1997 Bonds"), the proceeds of which were used to fund a portion of the costs of developing, constructing and equipping a children's museum and science center known as Exploration Place, consisting of a 90,000 square foot structure, attendant parking, landscaping and related appurtenances thereto (the "Facility") located upon certain real property (the "Land," and collectively with the Improvements, the "Project") owned by the City of Wichita, Kansas (the "City"); and (b) Refunding Revenue Bonds (Exploration Place Project), Series 2003-2, in the original principal amount of $14,940,000 (the "Series 2003 Bonds"), the proceeds of which were used to refund certain maturities of the Series A, 1997 Bonds. The City has leased the Land to the PBC pursuant to a base lease, dated as of May 9, 1995 (the "Base Lease"), upon the terms and conditions set forth therein, for a term commencing June 1, 1997, and ending June 1, 2047, with an unrestricted right of the PBC to assign the Base Lease to the County.

In conjunction with the issuance of the Series A, 1997 Bonds, the PBC and BNY Trust Company of Missouri, St. Louis, Missouri (successor to INTRUST Bank, N.A.), as Trustee (the "Trustee") entered into a Trust Indenture dated as of August 1, 1997 (the "1997 Indenture"), as amended and supplemented by the First Supplemental Indenture, dated as of December 1, 2003 (the "First Supplemental Indenture," and collectively with the 1997 Indenture and the supplemental indenture entered into in conjunction with the PBC Refunding Bonds, the "Indenture"), entered into by the same parties and relating to the Series 2003 Bonds. Additionally, in conjunction with the issuance of the Series A, 1997 Bonds, the PBC, as lessor, and the County, as tenant, entered into a Lease, dated as of August 1, 1997 (the "1997 Lease"), as amended and supplemented by the First Supplemental Lease, dated as of December 1, 2003 (the "First Supplemental Lease," and collectively with the 1997 Lease and the supplemental lease entered into in conjunction with the PBC Refunding Bonds, the

“Lease”), entered into by the same parties and relating to the Series 2003 Bonds, wherein the County agreed to make rental payments to provide funds sufficient to meet the debt service requirements of the Series A, 1997 Bonds and the Series 2003 Bonds.

Due to the current interest rate environment, the PBC has the opportunity to issue its Refunding Revenue Bonds (Exploration Place Project), Series 2015-1 (the “PBC Refunding Bonds”) in order to achieve an interest cost savings on the debt represented by all or a portion of the Series 2003 Bonds (the “Refunded Bonds”), which will directly benefit the County with respect to reduced rental payments made to the PBC pursuant to the Lease.

The Resolution does the following:

1. Finds and determines that the issuance of the PBC Refunding Bonds by the PBC and the County continuing to lease the Project from the PBC under the terms and provisions set forth in the Lease, as supplemented, are necessary, convenient and in furtherance of the governmental purposes of the County.
2. Requests that the PBC proceed with the sale of the PBC Refunding Bonds; provided that: (a) the present value savings associated with refunding the Refunded Bonds shall be not less than 4.0% of the outstanding principal of the Refunded Bonds to be refunded; (b) the debt service requirements on the PBC Refunding Bonds are substantially equal in each year; and (c) that the final maturity of the PBC Refunding Bonds is not longer than the final maturity of the Refunded Bonds.
3. In the event such parameters are met, the Board declares its intent to enter into a supplement to the Lease to provide sufficient rental payments to meet the debt service requirements on the PBC Refunding Bonds and the Series 2003 Bonds not refunded, if any.
4. Authorizes the Chief Financial Officer to coordinate with the PBC the competitive sale of the PBC Refunding Bonds and related activities and the Chairman to sign the necessary documents to accomplish the sale of the PBC Refunding Bonds.

Alternatives:
The BOCC could decline to adopt the resolution, in which case the PBC would not be authorized to proceed with the sale of refunding bonds, and the county would not realize the savings made possible by current market conditions. Rejecting the refunding now would not preclude the county from taking similar action at some point in the future. The savings that might be possible in the future cannot be predicted with any confidence.

Financial Considerations:
Based on current market conditions the refunding bonds are estimated to have a true interest cost of 1.82%, and are expected to produce a net present value benefit of $558,000, or 7.36% of the refunded debt service.

The average annual debt service currently required under the Lease is $1,150,000; subsequent to the refunding, the average annual debt service would be reduced by $83,000. The financial plan contemplates Lease payments to be made from general county revenues including property taxes. The source of funds used to repay this debt will be determined annually through the budget adoption process. No increase in the total county property tax rate will be required by this refunding.

The PBC Refunding Bonds will be secured by the Lease. The County's obligations under the Lease are exempt from the cash-basis and budget laws and therefore, constitute a binding obligation of the

County, meaning the PBC will be able to compel the levy of property taxes if necessary to make payments under the lease. Prior PBC bond issues for County facilities have received the same financial ratings as the County's general obligation bonds.

Legal Considerations:
The Board, under the authority of the Act, has heretofore created the PBC. The PBC has full power and authority to issue revenue bonds in order to provide funds for the purpose of refunding the Refunded Bonds. The PBC Refunding Bonds shall be revenue bonds of the PBC payable solely and only from rentals received by the PBC under the Lease, pursuant to the Act. Pursuant to the Act, the County may enter into leases with the PBC for up to 50 years. Such leases are exceptions to the Cash-basis and budget laws. Unlike revenue bonds issued to initially finance projects, the issuance of the PBC Refunding Bonds are not subject to any notice and protest provisions.

Policy Considerations:
County debt policy provides five ratios that measure the impact of debt on the community. These ratios constitute benchmarks that, in combination, determine the county's debt capacity. The policy specifies that debt will not be incurred if more than two of the five ratios exceed the specified limits. After including the new debt, the county will exceed two of the benchmarks: per capita direct, overlapping and underlying debt; and direct, overlapping and underlying debt as a % of full market value. These two ratios consider the total amount of tax-backed municipal debt that has been issued by any governmental entity that has jurisdiction within Sedgwick County.

Benchmark	**Policy Limit**	**Current Debt**	**Current Debt As % Of Limit**
Per capita direct debt	$500	$270	54%
Per capita direct, overlapping and underlying debt	$3,000	$3,894	130%
Direct debt as % of estimated full market value	1.50%	0.42%	28%
Direct, overlapping and underlying debt as % of full market value	6.00%	6.11%	102%
Annual debt service as % of budgeted expenditures	20%	9.63%	48%

As indicated in the ratios listed above, the County’s direct debt -- that which has been issued by the county government or its Public Building Commission -- is relatively low, but when added to the outstanding debt issued by cities, school districts, and other special purpose governments within the county, the impact on taxpayers approaches our policy limits.

Outside Attendees: N/A

Multimedia Presentation: N/A