



MEMORANDUM

To: Mayor and City Council

From: Jennifer Miller, Director of Finance

Date: July 9, 2013

Reference: Consider approval of an ordinance to establish a Defeasance Escrow Agreement

2030: Sustainable City Government

Introduction:

This item is being presented for approval to establish a defeasance escrow agreement as required by current IRS regulations. This requirement is due to the sale of a portion of land owned by the City near the Service Center (formerly known as the Baptist Foundation Property) that currently has outstanding tax exempt bonds to CSE Commercial Real Estate, LP. The purpose of this escrow is to redeem all outstanding bonds related to this property at the earliest possible call date. According to our bond attorney and expert IRS tax representative, the City will be required to escrow the entire outstanding principal bond amount related to the above mentioned property.

Analysis:

The amount required to be deposited into the defeasance escrow is \$1,680,000 for the outstanding principal, plus an additional estimated \$40,375 in accrued interest. The funds needed to establish this escrow will be provided by the General Fund, Undesignated Fund Balance. The bonds will be redeemed at the earliest possible date, February, 2014. These funds will be returned to the General Fund as the lot sales occur.

Legal Review:

The defeasance escrow agreement Ordinance has been prepared by Leroy Grawunder, the City of Coppell's bond attorney.

Fiscal Impact:

The funds necessary to create this escrow will be provided by the General Fund, Undesignated Fund Balance. The bonds related to the above mentioned property shall be redeemed at the earliest possible call date and the funds will be returned to the General Fund as the lot sales occur.

Recommendation:

The Finance Department recommends approval of this Ordinance.