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San Marcos to take advantage of low interest rates

By: DAVID STERRETT - Staff Writer

SAN MARCOS ---- Just as homeowners can refinance their property to put more money in the bank, San Marcos officials said this week they will take advantage of low interest rates to save taxpayers millions of dollars.

The City Council approved a plan Tuesday to refinance about \$80 million worth of bonds and issue up to \$100 million in new bonds to pay for such capital improvement projects as the San Marcos Creek development, roads and parks.

City Manager Rick Gittings said that refinancing the bonds at a lower interest rate would save anywhere from \$3 million to \$5 million during the life of the bonds. He said that selling the new bonds now will be cheaper because the city expects interest rates to rise in the coming years.

The city, in combination with its redevelopment agency, plans to sell the long-term, tax-exempt bonds sometime in the next 30 days. Gittings said he couldn't predict what the interest rates would be, but the maximum interest rate allowed for such bonds ranges from 5 to 7 percent a year under the resolution.

Tax money generated by the city's redevelopment agency will be used to pay off the bonds, Gittings said.

"This is providing a financing tool for the community that does not cost any additional money," the city manager said. "This money will provide for an improved quality of life and improved traffic circulation as well as recreation or park opportunities."

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Improvements to Discovery Street, the interchange at Woodland Parkway and Barham Road and drainage near Barham and Twin Oaks Valley Road were listed as projects the bonds would pay for, according to the resolution approved by the council.

The resolution also said a part of the money will go toward the San Marcos Creek Specific Plan improvements. City officials have discussed building a natural channel to preserve the creek and developing parts of the area bound by San Marcos Boulevard on the north, Grand Avenue on the east and Discovery Street on the south and west.

The council decided this month to create a task force to look into creating a development plan for the area, and city officials have estimated that infrastructure for the project will cost the city, developers and property owners more than \$100 million.

"Without the bond money, I think we would be hard-pressed to get anything started over there in the creek area," Councilman Hal Martin said. "And I believe the project is the most important development the city will ever see."

Martin said he supports bond financing because San Marcos has tax money from the redevelopment agency budgeted to pay off the debt.

About two-thirds of San Marcos is situated in one of the city's three redevelopment areas, and the city receives a much larger portion of the property tax money generated in these areas than from the rest of the city.

Next year, the redevelopment agency will use about \$13 million of the roughly \$28 million in tax revenue to pay off bonds, according to the city manager's proposed budget.

"It's not like we are passing bonds and hoping to find the money," Martin said. "We know exactly where the money is coming from and how much is needed."

Using bonds to finance large capital improvement projects is a common practice for cities, according to Steven Frates, a senior fellow at the Rose Institute of State and Local Government at Claremont McKenna College, about 35 miles east of downtown Los Angeles.

Frates said refinancing also is not unusual now because of the interest rates. In fact, he said, San Marcos may have been able to save more money if it had refinanced and purchased new bonds a little earlier when interest rates were lower.

But since interest rates fluctuate on a daily basis, Frates said refinancing is a positive move anytime it saves money.

City Manager Gittings said San Marcos has not refinanced bonds in four or five years, and said he believed the timing was "right on target."

"Our belief is interest rates will continue to go up in the next several years," Gittings said. "And we want to capture the savings at the current interest rates."

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