

ITEM # 7
DATE: 02-10-15

COUNCIL ACTION FORM

SUBJECT: PUBLIC HEARING AND NOTICE OF INTENT TO ISSUE \$15,000,000 ESSENTIAL CORPORATE PURPOSE GENERAL OBLIGATION BONDS, \$5,950,000 GENERAL OBLIGATION REFUNDING BONDS AND ASSOCIATED TAX LEVY FOR DEBT SERVICE

BACKGROUND:

The FY 2015/16 budget includes a number of General Obligation (G.O.) Bond funded capital improvements. A public hearing is required to authorize issuance of bonds and the levy of property taxes for debt to be issued. The dollar amounts and corresponding property tax levy for the planned G.O. bond issue are included as part of the FY 2015/16 budget.

The G.O. Bonds and debt service levy for the FY 2015/16 budget were based on projects listed in the table below. Council authorization will be required at a later date to authorize the sale of the FY 2015/16 General Obligation Bonds. Bonds are expected to be issued shortly after the start of the new fiscal year. In addition to the G.O. Bonds to fund capital improvement projects, staff has identified a potential bond refunding for bonds issued in 2006 and 2007 that may provide savings in debt service costs. **Though Council will be holding a public hearing and notice of intent on the sale of bonds, the refunding sale will not go forward unless adequate savings are expected.** Planned final maturity for the new bonds is 12 years, with the exception of the abated Airport Terminal bonds of \$943,000, which will be for 20 years.

Please note that in addition to the amount to fund the \$13,892,990 in G.O. Bond funded capital projects, the not-to-exceed amount for the issuance includes \$1,107,010 additional authorization to allow for issuance costs and the option to sell our bonds at a premium over the par or face value of bonds. In any case, debt will not be issued in an amount where debt service exceeds the property tax levy included in the proposed budget.

The Capital Improvements Plan's 2015/16 G.O. Bond issue and planned refunding will include the following projects:

East Lincoln Way Sewer Extension	\$ 2,000,000	
ISU Research Park Improvements	2,938,990	
Airport Terminal	943,000	
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Debt to be Abated by Other Revenues		\$ 5,881,990
Flood Mitigation	\$ 144,000	
West Lincoln Way Improvements	450,000	
Asphalt Street Improvements	1,300,000	
Grand Avenue Extension	280,000	
Concrete Pavement Improvements	1,100,000	
Arterial Street Pavement Improvements	400,000	
Downtown Street Pavement Improvements	800,000	
Seal Coat Pavement Improvements	350,000	
Bridge Rehabilitation Program	2,320,000	
Airport Terminal Building	867,000	
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Subtotal Tax Supported Bonds		\$8,011,000
Refunding Bonds		5,950,000
Issuance Cost and Allowance for Premium		1,107,010
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Grand Total – 2015/16 G.O. Issue		\$20,950,000

ALTERNATIVES:

1. Adopt a pre-levy resolution authorizing the issuance of Essential Corporate Purpose General Obligation and General Obligation Refunding Bonds in an amount not to exceed \$20,950,000 and the debt service property tax levy to pay principal and interest on the bonds and set the date of public hearing for March 3, 2015.
2. Reject the pre-levy resolution authorizing the issuance of Essential Corporate Purpose General Obligation Bonds, reduce the 2015/16 property tax levy, and delay the capital projects. Rejection of the Essential Corporate Purpose Bonds will prevent the City from completing the bond funded projects reflected in the 2015/16 Capital Improvements Plan.

MANAGER’S RECOMMENDED ACTION:

Prior to the issuance of this debt, state law requires that this pre-levy resolution be adopted. This is a required step in order to accomplish the Council’s approved capital improvements for the upcoming fiscal year.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby adopting a pre-levy resolution authorizing the issuance of Essential Corporate Purpose General Obligation and General Obligation Refunding Bonds in an amount not to exceed \$20,950,000 and the debt service property tax levy to pay principal and interest on the bonds, and setting the date of public hearing for March 3, 2015.