

ITEM # 12
 DATE: 6-23-15

COUNCIL ACTION FORM

SUBJECT: PUBLIC HEARING AND NOTICE OF INTENT TO ISSUE \$395,000 IN ESSENTIAL CORPORATE PURPOSE GENERAL OBLIGATION BONDS

BACKGROUND:

The FY 2015/16 budget includes a number of General Obligation (G.O.) Bond funded capital improvements. A public hearing was held on March 3, 2015, and Council authorized 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 projects included are listed below:

East Industrial Area Sewer Extension	\$ 2,000,000	
ISU Research Park Improvements	2,938,990	
Airport Terminal	943,000	
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	
Subtotal Tax Supported Bonds		\$8,011,000
Refunding Bonds		5,950,000
Issuance Cost and Allowance for Premium		1,107,010
Grand Total – 2015/16 G.O. Issue		\$20,950,000

Council approval of the sale will be required at a later date. In addition to the G.O. Bonds to fund scheduled capital improvement projects, staff identified a potential bond refunding for bonds issued in 2006 and 2007 that may provide savings in debt service costs. Even though Council held a public hearing and notice of intent on the sale of bonds, the refunding sale will not go forward unless adequate savings are expected.

In the time since the budget was adopted and the public hearing was held for the bond sale, bids were received on a current year G.O. bond-funded project to pave Grant Avenue. The total cost for the Grant Avenue project is now estimated to be \$468,812 above the \$2,825,000 budgeted for the project. The cost of this project is shared between developers and the City, with initial funding all coming from bond proceeds. The developers' shares will be repaid through assessments.

The City share of the additional \$468,812 cost is \$107,827. Staff had identified savings from other bond funded projects to cover this expense. The developers' share of the \$468,812 increase is \$360,985. That portion will be funded by bond proceeds from the upcoming issue and be repaid through assessments.

A public hearing is required to increase the issuance amount for the 2015 G.O. bonds by \$395,000, bringing the total authorized to \$21,345,000. An additional \$34,015 is included in the public hearing for issuance costs and allowance for bids over par value of the bonds.

As was noted above, the proposed bond issue includes \$2,000,000 for the East Industrial Area Sewer Extension. That project will extend sanitary sewer under the Interstate and hasten the City's ability to serve eastern industrial growth. Council previously indicated that the sewer extension should not occur until the City reached an agreement with Central Iowa Water Association (CIWA) regarding water service territory. City staff has held several productive meetings with CIWA staff in recent weeks, and is optimistic that an agreement can be reached within the next two months. That will allow the sewer extension project to move forward as planned. In the event that an unexpected delay occurs in the sewer project, the \$2,000,000 in GO funding could be redirected to other priority projects in 2016/17. The 2016/17 bond issue would then be decreased by the same amount.

ALTERNATIVES:

1. Adopt a resolution increasing the issuance of Essential Corporate Purpose General Obligation bonds for 2015 by an amount not to exceed \$395,000 and set the date of public hearing for July 14, 2015.
2. Reject the resolution increasing the issuance of Essential Corporate Purpose General Obligation Bonds. Rejection of the increase in Essential Corporate Purpose Bonds will create a shortfall in funding for Grant Avenue paving. City staff would need to work with Council to reprioritize other projects to allow funding for Grant Avenue.

MANAGER'S RECOMMENDED ACTION:

Prior to the issuance of this debt, state law requires that a public hearing be held.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby adopting a resolution increasing the issuance of Essential Corporate Purpose General Obligation bonds for 2015 by an amount not to exceed \$395,000, and setting the date of public hearing for July 14, 2015.