

ITEM NO. 8
DATE: 03/01/2011

COUNCIL ACTION FORM

SUBJECT: SETTING DATE OF PUBLIC HEARING AND NOTICE OF INTENT TO ISSUE \$6,640,000 ESSENTIAL CORPORATE PURPOSE GENERAL OBLIGATION BONDS AND \$310,000 GENERAL CORPORATE PURPOSE GENERAL OBLIGATION BONDS AND ASSOCIATED TAX LEVY FOR DEBT SERVICE

BACKGROUND:

The budget for FY 2011/12 includes General Obligation (GO) 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 GO bond issue are included as part of the FY 2011/12 budget. Though the GO Bonds and debt service levy in the FY 2011/12 budget were based on a total issuance amount of \$6,800,000, Council is asked to authorize \$6,950,000 in bonds to allow for cost adjustments, issuance costs, and bids for bonds at a premium. Bonds will not be issued in an amount that where debt service will exceed the approved debt service levy. Council authorization will be required at a later date to authorize the sale of the FY 2011/12 General Obligation Bonds.

Separate resolutions are required for the Essential Corporate Purpose bonds in the amount of \$6,640,000 and General Corporate Purpose bonds in the amount of \$310,000. The General Corporate Purpose Bonds for improvements to City Hall are limited in annual issuance amount and are subject to a reverse referendum, meaning voters can file a petition and cause the General Corporate Purpose Bonds to be subject to a bond referendum of the voters.

ALTERNATIVES:

1. a) Adopt a pre-levy resolution authorizing the issuance of Essential Corporate Purpose General Obligation Bonds in an amount not to exceed \$6,640,000 and the debt service property tax levy to pay principal and interest on the bonds and set the date of public hearing for February 22, 2011
- b) Adopt a pre-levy resolution authorizing the issuance of General Corporate Purpose General Obligation Bonds in an amount not to exceed \$310,000 and the debt service property tax levy to pay principal and interest on the bonds and set the date for public hearing for February 22, 2011. However, the City Council will still need to approve a pre-levy resolution for the Essential Corporate Purpose Bonds at the March 1, 2011 certification date.

2. a) Reject the pre-levy resolution authorizing the issuance of Essential Corporate Purpose General Obligation Bonds, reduce the 2011/12 property tax levy, and delay the capital projects. However, rejection of the Essential Corporate Purpose Bonds will prevent the City from completing the many street projects reflected in the CIP for FY 2011-12.

b) Reject the pre-levy resolution authorizing the issuance of General Corporate Purpose General Obligation Bonds, reduce the 2011/12 property tax levy, and delay the capital projects. However, the rejection of the General Corporate Purpose Bonds will prevent the City from completing the heat pump replacement project as contemplated in the Capital Improvements Plan.

MANAGER'S RECOMMENDED ACTION:

Issuance of these bonds is necessary in order to accomplish the City's approved capital improvements for the upcoming fiscal year. Therefore, it is the City Manager's recommendation that the City Council adopt Alternative No. 1, thereby adopting a pre-levy resolution authorizing the issuance of Essential Corporate Purpose General Obligation Bonds in an amount not to exceed \$6,640,000 and the debt service property tax levy to pay principal and interest on the bonds and set the date of public hearing for February 22, 2011. This recommended action will also adopt a pre-levy resolution authorizing the issuance of General Corporate Purpose General Obligation Bonds in an amount not to exceed \$310,000 and the debt service property tax levy to pay principal and interest on the bonds and set the date of public hearing for February 22, 2011.