

COUNCIL ACTION FORM

**SUBJECT: SALE AND ISSUANCE OF ESSENTIAL CORPORATE PURPOSE
GENERAL OBLIGATION BONDS SERIES 2012 ISSUE IN AN AMOUNT
NOT TO EXCEED \$13,215,000**

BACKGROUND:

The 2012/13 budget included a number of General Obligation Bond funded capital improvement projects. In preparation to issue these bonds, all projects were reviewed and issuance amounts adjusted based on the timing of projects and current price estimates.

Projects to be funded by this issue include the following:

2012/2013 CIP G.O. Bond Issue:

<i>Woodview Drive Water & Sewer Project (Assessment Project*)</i>	\$	357,000
Extension of Utilities North (Abated by Water and Sewer)		1,401,000
Flood Response & Mitigation Projects		820,000
Collector Street Pavement Improvements		850,000
Asphalt Street Reconstruction Program		928,000
CyRide Route Pavement Improvements		1,420,000
Arterial Street Pavement Improvements		219,000
Concrete Pavement Improvements		600,000
Downtown Street Improvements		950,000
Asphalt/Seal Coat Street Rehabilitation		620,500
Squaw Creek Bridge		400,000
	<i>Subtotal Debt Issue</i>	<u>\$ 8,565,500</u>
Library Expansion/Renovation (Approved by Referendum)		4,500,000
	<i>Subtotal</i>	<u>\$ 13,065,500</u>
Issuance Cost/Allowance for Sale at Premium		149,500
	Total Debt Issue	\$ 13,215,000

On the morning of August 28, 2012, the City will accept bids for the bonds per the terms of our offering statement. The bids will be evaluated by our financial advisor, Public Financial Management, by the City's bond counsel, and by City staff to recommend award to the bidder with the lowest cost. A report of bids will be provided to Council at the August 28th meeting. Council may then adopt a resolution accepting bids and authorizing that the sale of bonds be awarded to the chosen bidder.

ALTERNATIVES:

1. The City Council can adopt a resolution accepting bids and authorizing the sale and issuance of Essential Corporate Purpose General Obligation Bonds in an amount not to exceed \$13,215,000.
2. The Council can reject the bond sale resolution and delay the capital projects.

MANAGER'S RECOMMENDED ACTION:

Issuance of these bonds is necessary in order to accomplish the City's approved capital improvements during this fiscal year.

Therefore, it is the recommendation of the City Manager that the City Council accept Alternative No. 1, thereby adopting a resolution accepting bids and authorizing the sale and issuance of Essential Corporate Purpose General Obligation Bonds in an amount not to exceed \$13,215,000.

The City Council will remember that the proposed bond issue includes \$357,000 to fund the Woodview Subdivision infrastructure projects that are planned to be paid back from special assessment payments from benefitted property owners. Unfortunately, as of this date the Public Works staff is still in the process of securing signatures from Woodview Drive residents for the assessment agreement to install water and sewer. Out of the 11 property owners, six have signed the assessment agreement.

Staff is hopeful that all the signatures will be collected soon, since the property owners are eager to get the project underway. However, a single mortgage lender that has an interest in several properties did not want to be second in line if the property owner defaulted on their mortgage. The City Attorney's Office has been working with the lenders to assure them that this is a value add to the property.

However, given this situation there is some risk to the City if for some reason the remaining residents do not enter into the assessment agreement; since even though the project will not proceed, the City will have already sold bonds to fund the project. This will mean that the City will be obligated to pay for the portion of debt service related to the Woodview Drive project, even though property taxes were not assessed to those properties for this project. The anticipated cost to the City during FY 2012/13 would be \$34,800 paid from the debt service fund balance. Should that happen, this \$357,000 in bond proceeds could be used for other purposes specified on the bond prospectus (e.g., street projects). The City would then be able to reduce the planned FY 2013/14 bond sale to offset the debt that was issued for the Woodview Drive project but was not used for that purpose.