

ITEM # 12
 DATE: 02-09-16

COUNCIL ACTION FORM

SUBJECT: PUBLIC HEARING AND NOTICE OF INTENT TO ISSUE \$9,890,000 ESSENTIAL CORPORATE PURPOSE GENERAL OBLIGATION BONDS, \$3,335,000 GENERAL OBLIGATION REFUNDING BONDS AND ASSOCIATED TAX LEVY FOR DEBT SERVICE

BACKGROUND:

The FY 2016/17 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 2016/17 budget.

The G.O. Bonds and debt service levy for the FY 2016/17 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 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, we have identified a potential refunding for bonds issued in 2008 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.**

Please note that in addition to the amount to fund the \$5,945,000 in G.O. Bond-funded capital projects, the not-to-exceed amount for the issuance includes a \$645,000 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 2016/17 G.O. Bond issue includes the following:

East Industrial Utility Extension	\$ 3,300,000	
Debt Abated by other Revenues		\$ 3,300,000
Flood Mitigation	500,000	
Storm Water Erosion Control	250,000	
Asphalt Street Improvements	1,250,000	
Grand Avenue Extension	1,300,000	
Concrete Pavement Improvements	1,050,000	
Arterial Street Pavement Improvements	345,000	
Downtown Street Pavement Improvements	375,000	
CyRide Route Improvements	525,000	
Bridge Rehabilitation Program	350,000	
Subtotal Tax Supported Bonds		\$ 5,945,000
Refunding Bonds		3,335,000
Issuance Cost and Allowance for Premium		645,000
Grand Total – 2016/17 G.O. Issue		\$ 13,225,000

ALTERNATIVES:

1. Adopt a pre-levy resolution authorizing the issuance of Essential Corporate Purpose General Obligation Bonds and General Obligation Refunding Bonds in an amount not to exceed \$13,225,000 and the debt service property tax levy to pay principal and interest on the bonds and set the date of public hearing for March 1, 2016.
2. Reject the pre-levy resolution authorizing the issuance of Essential Corporate Purpose General Obligation Bonds, reduce the FY 2016/17 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 CIP.

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 \$13,225,000 and the debt service property tax levy to pay principal and interest on the bonds and set the date of public hearing for March 1, 2016.