

**COUNCIL ACTION FORM**

**SUBJECT: PUBLIC HEARING AND NOTICE OF INTENT TO ISSUE \$11,880,000 ESSENTIAL CORPORATE PURPOSE GENERAL OBLIGATION BONDS, AND ASSOCIATED TAX LEVY FOR DEBT SERVICE**

**BACKGROUND:**

The FY 2019/20 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 2019/20 budget. City Council set March 5, 2019 as the date of the public hearing for issuance of the bonds.

The G.O. Bonds and debt service levy for the FY 2019/20 budget are 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.

The Capital Improvements Plan’s 2019/20 G.O. Bond issue includes the following:

|  |                  |                             |
|--|------------------|-----------------------------|
| City-Wide Radio System                         | \$1,240,000      |                             |
| Grand Avenue Extension                         | 2,000,000        |                             |
| Campustown Improvements                        | 1,000,000        |                             |
| Cherry Avenue Extension                        | 300,000          |                             |
| Arterial Street Pavement Improvements          | 1,600,000        |                             |
| Bridge Rehabilitation                          | 120,000          |                             |
| Concrete Pavement Improvements                 | 2,800,000        |                             |
| Collector Street Pavement Improvements         | 500,000          |                             |
| Asphalt Street Improvements                    | <u>1,000,000</u> |                             |
| <b>Subtotal Tax Supported Bonds</b>            |                  | <b>\$ 10,560,000</b>        |
| City-Wide Radio System (Abated)                | 280,000          |                             |
| ISU Research Park Phase IV (TIF)               | <u>314,204</u>   |                             |
| <b>Subtotal Abated Bonds</b>                   |                  | <b><u>\$594,204</u></b>     |
| <b>Total Bond Funded Projects</b>              |                  | <b>\$11,154,204</b>         |
| <b>Issuance Cost and Allowance for Premium</b> |                  | <b>725,796</b>              |
| <b>Grand Total – 2019/20 G.O. Issue</b>        |                  | <b><u>\$ 11,880,000</u></b> |

Please note that in addition to the amount to fund the \$11,154,204 in G.O. Bond-funded capital projects, the not-to-exceed amount for the issuance includes a \$725,796 additional authorization to allow for issuance costs and the option to sell our bonds at a premium over the face value of bonds. This will allow the City to accept an optimum bid with face value of bonds greater than the \$11,154,204 needed to accomplish our projects. 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 proposed bond issue complies with the Council approved debt policy.

**ALTERNATIVES:**

1. Hold a public hearing to authorize the issuance of Essential Corporate Purpose General Obligation Bonds in an amount not to exceed \$11,880,000. After the public hearing and approval of the bond issuance, a property tax pre-levy resolution to pay principal and interest on the bonds is required.
2. Reject the action to approve the bond issue and levy of taxes. Rejection of the bond issue and levy of taxes will prevent the City from completing the bond-funded projects reflected in the CIP.

**MANAGER'S RECOMMENDED ACTION:**

Prior to the issuance of debt, state law requires that a public hearing be held and that a pre-levy resolution be adopted for bonds not yet issued to be repaid from the property tax levy. 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, after the public hearing, authorizing the issuance of Essential Corporate Purpose General Obligation Bonds and in an amount not to exceed \$11,880,000.