

ITEM # 14  
DATE: 02/23/21

**COUNCIL ACTION FORM**

**SUBJECT: PUBLIC HEARINGS AND NOTICE OF INTENT TO ISSUE \$13,905,000 ESSENTIAL CORPORATE PURPOSE GENERAL OBLIGATION BONDS, \$11,760,000 GENERAL OBLIGATION REFUNDING BONDS, AND \$700,000 GENERAL CORPORATE PURPOSE GENERAL OBLIGATION BONDS, AND ASSOCIATED TAX LEVY FOR DEBT SERVICE**

**BACKGROUND:**

The FY 2021/22 Budget includes several 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 is included as part of the FY 2021/22 budget.

The G.O. Bonds and debt service levy for the FY 2021/22 budget are based on projects listed in the table below. Council authorization will be required at a later date to approve 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, staff has identified a potential refunding for bonds issued in 2013 that will likely 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.**

Though the bonds will be combined in a single sale, the \$700,000 to fund the plaza is a general corporate purpose subject to a reverse referendum and a separate public hearing is required. The remainder of the bond issue is qualified as essential corporate purpose, not subject to reverse referendum and can be combined in a single public hearing in amount not to exceed \$25,665,000.

Please note that in addition to the amount to fund the \$13,755,400 in G.O. Bond-funded capital projects, the not-to-exceed amount for the issuance includes an \$849,600 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 public hearings and pre-levy resolution will be required at the time of the budget approval to levy property taxes for the bonds not yet issued. The pre-levy amount is included as part of the total debt service property tax levy and is \$1,045,393 of the total taxes levied for debt service at \$10,007,684.

The Capital Improvements Plan's 2021/22 G.O. Bond issue includes the following:

Arterial Street Pavement Improvements (N. Dakota/Ontario)	\$ 800,000	
Collector Street Pavement Improvements (Hoover Avenue)	2,400,000	
Concrete Pavement Improvements	3,500,000	
Asphalt Street Pavement Improvements	2,500,000	
Seal Coat Pavement Improvements	750,000	
Downtown Pavement Improvements (Duff to Sherman Alley)	245,000	
Intelligent Transportation System	160,400	
Downtown Plaza - <b>General Corporate Purpose-</b>	700,000	
<b>Subtotal Tax Supported Bonds</b>		<b>\$11,055,400</b>
East 13 <sup>th</sup> Street Sanitary Sewer Extension (TIF Abated)	2,700,000	
<b>Subtotal TIF Abated Bonds</b>		<b>2,700,000</b>
<b>Total Bond Funded Projects</b>		<b>\$13,755,400</b>
<b>Refunding Bonds</b>		<b>11,760,000</b>
	<b>Estimated Issuance Costs</b>	<b>849,600</b>
	<b>Grand Total – 2021/22 G.O. Issue</b>	<b>\$26,365,000</b>

**ALTERNATIVES:**

1. Set March 9, 2021 as the date of public hearing to authorize the issuance of Essential Corporate Purpose General Obligation Bonds and General Obligation Refunding Bonds in an amount not to exceed \$25,665,000, and a second hearing to authorize the issuance of General Corporate Purpose General Obligation Bonds in an amount not to exceed \$700,000.

After the hearings the City council can authorize the sale and associated pre-levy resolution.

2. Reject or delay the public hearings, reduce the FY 2021/22 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. Rejection of the refunding bonds will eliminate the opportunity to realize savings for existing bonds and rejection of the General Corporate Purpose bonds will delay the Downtown Plaza project.

**MANAGER’S RECOMMENDED ACTION:**

Prior to the issuance of debt, state law requires that a public hearing be held and associated pre-levy resolution be adopted. This is a required step in order to accomplish the City 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 setting March 9, 2021 as the date of public hearing to authorize the issuance of Essential Corporate Purpose General Obligation Bonds and General Obligation Refunding Bonds in an amount not to exceed \$25,665,000 and a

second hearing to authorize the issuance of General Corporate Purpose General Obligation Bonds in an amount not to exceed \$700,000.