



Legislation Text

File #: 17-0263, **Version:** 1

Hold a public hearing on proposed Certificates of Obligation (CO), Series 2017 (Assistant City Manager)

In 2016 the City Council adopted the 2017-2021 Capital Improvement Plan (CIP). This plan provides for \$408.9 million in city projects over the next five years. These projects include necessary roadways, facilities and water utility initiatives. Citizens can view the plan in its entirety on the City's website at www.leaguecity.com.

Funding for the plan's projects is provided from various sources and is also outlined in the 2017-2021 Capital Improvement Plan (CIP). Existing bond funds, operating funds, grant funds, 4B funds and other available funds are exhausted first, before the use of debt. The plan estimates both the costs and the required funding on an annual basis.

Current funding required

The CIP anticipated \$13.5 million in debt for this fiscal year. Staff's review of both the status of the projects and the funding determined the \$13.5 million continues to be the anticipated funding need for the next 12 months. In addition, Tax Increment Reinvestment Zone (TIRZ) #4 is prepared to fund \$4.5 million through this issue. Based upon current projections prepared by the City's financial advisory firm, First Southwest Company, we expect the final bond issue to be a total of \$18.2 million with bond issuance cost of approximately \$200,000. "Tax supported" projects include the Ervin Connector, the Animal Shelter, Fire / EMS Station 6 and Downtown Revitalization. "(Utility) Revenue supported" projects include the West Side Well and Booster Pump Station, Southeast Service Area Trunks, North Service Area 16" waterline, Sanitary Sewer reahabilitation, lift station improvements and Dallas Salmon Effluent Discharge Improvements.

Certificates of Obligation

Funds required in the amount of \$8.33 million are related to the water utility system. These projects could be funded through a 'revenue bond' - an instrument that is only secured by water and sewer system revenues. Revenue bonds have a higher cost.

Certificates of Obligation are debt instruments available to the city. While very similar to "general obligation bonds", COs do not require voter approval. This type of debt is recommended because it is the most cost effective method of financing. Similar to general obligation bonds, COs are 'backed' by the full faith and credit of the City, resulting in lower interest cost than "revenue bonds".

By law, (Local Government Code, Chapter 271), the City Council may issue COs after publishing a "Notice of Intent". This is a legal notice that informs voters of the planned debt issue and gives them 30 days to petition the Council for an election. If the City Council does not receive a petition, the COs may be issued. If a petition of 5% of the voters is presented, the COs may not be issued until an election is held.

For this issue, the City is reaching out to the public in addition to posting the legal notice. Two public hearings will be held during City Council meetings on May 24 and July 12th. At that time, residents will have the opportunity for public comment on the proposed issue. This information will be distributed via press release, website and social media.

Council is scheduled to vote to issue the debt at the June 13, 2017 City Council meeting after the second public hearing.

Attachment:

1. Data Sheet

CONTRACT ORIGINATION:

FUNDING

☒ NOT APPLICABLE

☐ Funds are available from Account # _____

☐ Requires Budget Amendment to transfer from Account # _____ to Account # _____