



Legislation Text

File #: 18-0414, **Version:** 1

Hold a public hearing on proposed Certificates of Obligation, Series 2018 (Director of Finance)

In 2017 the City Council adopted the 2018-2022 Capital Improvement Plan (CIP). This plan provides for \$423.6 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 2018-2022 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 \$13.98 million in debt for this fiscal year. Staff's review of both the status of the projects and the funding determined \$11.5 million to be the anticipated funding need for the next 12 months. Based upon current projections prepared by the City's financial advisory firm, Hilltop Securities, we expect the final certificate issue to be a total of \$11.34 million with bond issuance cost of approximately \$125,000 and a net premium sufficient to fund the identified projects. "Tax supported" projects include the Ervin Connector, the Animal Shelter, and Fire / EMS Station 6

Certificates of Obligation

Certificates of Obligation (hereinafter "COs") 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. The notices were published in the Galveston County Daily News on July 1 and July 8. To date, no petition has been presented.

For this issue, the City is reaching out to the public in addition to posting the legal notice. Two public hearings will be held. The first public hearing was conducted during the City Council meetings on June 26. This is the second public

hearing on this issue providing residents the opportunity for public comment on the proposed certificates issue. This information will be distributed via press release, website and social media.

Council is scheduled to vote to issue the debt at the August 14, 2018 City Council meeting after this public hearing.

Attachment:

1. Data Sheet

FUNDING

☒ NOT APPLICABLE

☐ Funds are available from Account # _____

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