



## Legislation Text

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**File #:** 21-0370, **Version:** 1

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Hold a public hearing on proposed Certificates of Obligation (CO), Series 2021 (Interim Director of Finance)

State law provides that the City may issue certificates of obligation after notice has been published 45 days in advance. The law states: "If before the date tentatively set for the authorization of the issuance of the certificates or if before the authorization the municipal secretary or the county clerk if the issuer is a county, receives a petition signed by at least five percent of the qualified voters of the issuer protesting the issuance of the certificates, the issuer may not authorize the issuance of the certificates unless the issuance is approved at an election ordered, held and conducted in the manner provided for bond elections under Chapter 1251, Government Code."

On June 8, 2021, City Council authorized publication of a Notice of Intention to issue Certificates of Obligation for up to \$15 million. This notice was first published in the Galveston Daily News on June 10, 2021, and published the second time on June 17, 2021. Based upon current projections prepared by the City's financial advisory firm, Hilltop Securities, the final bond issue is expected to provide \$15 million in City project funds. The Notice of Intention included reimbursement language for efficiency purposes. This language is necessary in the event City pays for project prior to the Certificates of Obligation being sold with the intention of reimbursement from tax exempt debt proceeds.

These Certificate of Obligation funds are intended to partially pay for the 36-inch water line from the State Highway 3 Pump Station to South Shore Pump Station which was approved by City Council for award on June 22, 2021, for \$20,176,170 plus 10% contingency of \$2,017,617 for a total of \$22,193,787. The remaining costs will be paid with capital project funds and a drawdown of \$3,400,000 from the utility fund balance rather than from ad valorem taxes.

As of late June 2021, with the formulation of the FY2022 Proposed Budget, the Utility Fund revenue is estimated to end FY2021 at \$3 million over budget. Staff recommends and is shown in the FY22 Proposed Budget an additional \$2 million in Utility Fund cash to CIP funding which allows the CO issuance to decrease from \$15 million to \$13 million. This plan leaves the utility fund at 105.7 days over the 90 days required by policy at the end of FY2021.

A second Public Hearing will be held on July 27, 2021. The certificates are scheduled to be authorized by parameter ordinance on July 27, 2021.

### Attachments

1. Data Sheet
2. Published Notice of Intention to issue Certificates of Obligation

### FUNDING

{ X } NOT APPLICABLE