



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: Consideration and possible action approving a resolution appointing members to the ad hoc Bond Advisory Committee and directing the City Manager to develop financing options in support of the FY 2024-28 Capital Improvements Plan

DATE: October 5, 2023

DEPARTMENT: Administration

PRESENTED BY: Scott M. Huizenga, Interim City Manager

INTRODUCTION/BACKGROUND:

The City Council reviewed the FY 2024-28 Proposed Capital Improvements Plan (CIP) during a budget workshop on July 20, 2023. The City Council also reviewed financing scenarios and a draft timeline for approving the plan and issuing debt to finance the plan. The Capital Improvements Advisory Committee ("CIAC") reviewed a similar plan at its semiannual meeting on September 7, 2023. CIAC expressed its desire at that meeting to serve as a bond advisory committee to include review of impact fee and non-impact fee eligible projects.

The CIP contains about \$34 million in planned projects, of which nearly \$14 million would be supported by the General Fund. General Fund-supported projects include roadways, drainage, and buildings. The CIP identifies about \$20 million for Water and Wastewater projects.

The proposed resolution designates members of CIAC to serve as the ad hoc Bond Advisory Committee to the Council. If the City Council adopts the resolution, members will meet multiple times over the next several months to review the proposed CIP projects for scope and need.

The resolution also directs the City Manager to develop financing options by February 2024. Staff and committee members will review potential options including General Obligation (GO) Bonds, Certificates of Obligation (CO's), and Revenue Bonds. GO Bonds require voter approval prior to issuing debt. GO Bonds are **not** required. The City can issue CO's at virtually identical terms to GO Bonds without an election (although CO's are subject to petition of referendum). However, if the City Council chooses to use GO Bonds, the City must call an election by February 2024 to meet the May 2024 election date. This would allow the City to incorporate debt service into its FY 2024-25 Adopted Budget. If the City Council opts for CO's or other forms of financing, the timeline is less stringent.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

A long-term CIP provides specific direction and financing to maintain the City's *existing* infrastructure with stable financing. A Bond Advisory Committee, while optional, can provide neutral recommendations to the City Council on project needs, scope, timing, and financing. The resolution also furthers the following elements of the Strategic Action Plan.

- Project 1.2.3 of the Strategic Action Plan to Develop 5 Year CIP Projections
- Project 1.4.11 of the Strategic Action to Develop a long-term capital and debt financing plan
- Pillar 3 of the Strategic Action Plan for Reliable and Sustainable Infrastructure

LONG-TERM FINANCIAL & BUDGETARY IMPACT:

The proposed CIP includes 35 projects estimated at a total of \$34 million. Coupled with conservative cash funding, this would require estimated annual debt payments of \$1 million in the General Fund and \$1.5 million in the Utility Fund once the plan is fully implemented. The City would appropriate debt service annually in the adopted budget.

LEGAL ANALYSIS:

The City Attorney approved the resolution to form.

RECOMMENDATION/PROPOSED MOTION:

I move to approve a resolution appointing members to the ad hoc Bond Advisory Committee and directing the City Manager to develop financing options in support of the FY 2024-28 Capital Improvements Plan