




# Memorandum

Date: June 23, 2022

To: The Honorable Mayor and City Council Members

From: JoAnna P. "Jody" Weaver, P.E., Interim City Manager  
Susan Lang, Director of Finance 

Reference: Notice of Intent to Issue Certificates of Obligations (Series 2022)

Over the past several years, the City has utilized excess reserves to fund street and drainage improvements through transfers from the General Fund into the Street Construction Fund in increments of \$1M to \$2.5 million. While this effort has been valiant, it has become painfully obvious that we cannot keep up the pace of the construction given the demands for improvements city-wide. The band-aid approach is no-longer efficient, and other avenues must be explored in order to provide additional flexibility for other major projects foreseen on the horizon, which can make better use of the excess fund balance reserves.

Multiple discussions have taken place with the City's financial advisors, RBC Capital Markets, over the last several months, which have brought to light the City's extremely positive position regarding debt flexibility over the next several years. Those factors are as follows:

- The City will see a significant drop in debt service payment for the FY2023 budget
- We have several issues that are currently callable which, utilizing fund balance reserves, can be paid off early
- Two debt issues will be completely paid off (if not paid early) within the next two years

All of these factors play into a strong financial position in order to leverage the City's capacity to issue debt for projects which will benefit the current and future citizens of Port Lavaca many years into the future.

Additionally, we have been advised that it would be prudent for the City to issue debt to maintain the balance of M&O and I&S on the City's property tax rate so as not to lose future flexibility. Unfortunately, this must occur prior to the City's adoption of the tax rate in early September. In order to provide appropriate notice to our citizens, we must announce our intent as soon as possible in order to meet all the deadlines imposed by State law.

We have identified several street and drainage projects that have already had the preliminary engineering estimates and feel confident that we can quickly take advantage of the funds and complete the projects within 3 years. The specific projects will be identified and discussed during our Capital Improvements Plan workshop in July as part of the overall budget process. During the next year, we will be able to firm up estimates for the next phase of projects and calculate the necessary debt payoff in order to issue a second phase of certificate of obligation debt which will substantially improve the years of neglect of the city's major infrastructure of streets, drainage, water and sewer.

The Finance Committee met with our financial advisors on 6/21/22 and discussed at length the proposed projects, financing options and strategy moving forward. The Committee has recommended that we proceed with Phase I of the debt issuance process, by issuing a Notice of Intent to Issue Certificates of Obligations not to exceed \$7.5 million, which was \$500,000 more than staff recommended.

Staff recommends City Council approve the Notice of Intent to Issue Certificates of obligation in an amount not to exceed \$7.5 million.