

STAFF REPORT



SUBJECT: Issuance of Certificates of Obligation

DEPARTMENT: Finance

STAFF CONTACT: Monica Harris

RECOMMENDATION:

Staff is requesting the Finance Committee to recommend moving forward with issuing Certificates of Obligation to council for approval on February 1, 2022.

BACKGROUND:

Proceeds from issuing Certificates of Obligations will be obligated \$20 million for water system, sewer system, and related infrastructure and \$2 million for park improvements. The attached timetable reflects the initial resolution authorizing notice of intent to issue debt on February 1, 2022 with the receipt of proceeds on April 28, 2022.

Questions have also arisen regarding refunding the Series 2013 GO Bonds. Bonds cannot be refunded by issuing Certificates of Obligations; however, state law does allow the issuance of refunding bonds without an election. The refunding bonds could be issued at the same time the Certificates of Obligation are issued.

FISCAL IMPACT SUMMARY:

As interest rates are low, but may not continue to stay that way, now is a good time to finance projects to minimize the amount of interest payments, as well as mitigate increased project costs due to inflation. Average annual debt service for a 15 year term, a 20 year term, and a 25 year term are \$1,834,577, \$1,525,506, and \$1,393,758 respectively.

The average annual debt service for parks, payable from the 2% sports venue tax, is \$126,689 for 25 years, \$139,714 for 20 years, and \$166,902 for 15 years. The sports venue tax collections for January 2021 through September 2021 were \$111,047, with a budget for fiscal year 2021-2022 of \$129,831 and a minimum of 3% annual increases. Since the first debt service payments would not occur until fiscal year 2022-2023, collections through September 30, 2022 could be used to supplement any future year's annual sport venue tax revenue not exceeding the debt service.

The average annual debt service for water and sewer, payable from net system revenues, is \$1,267,070 for 25 year, \$1,395,792 for 20 years, and \$1,667,675 for 15 years. The estimated revenue generated from the water and sewer rate increases approved October 4, 2021 and planned future increases is anticipated to support approximately \$1.2 million in debt service annually.

The estimated annual savings from refunding the Series 2013 GO bonds ranges from \$24,159 to \$42,400, with an estimated total savings through 2033 of \$460,259. The source of repayment for these bonds is the storm water drainage net system revenues. There will be a cost savings in bond issuance fees when issuing the refunding bonds at the same time as the certificates of obligation.

ALTERNATIVES

Not recommend issuing Certificates of Obligation and Refunding Bonds.

Recommend only issuing Certificates of Obligation.