



**CITY COUNCIL MEETING  
STAFF REPORT**

<b>Meeting Date:</b> March 20, 2023		<b>Subject:</b> City Council Work Plan Goal 5/Strategy 5.1 <i>Develop strategic financial analysis to explore costs and revenue options for major infrastructure projects currently unfunded.</i>	
		<b>Staff Member:</b> Keith Katko, Finance Director	
		<b>Department:</b> Finance	
<b>Action Required</b>		<b>Advisory Board/Commission Recommendation</b>	
<input type="checkbox"/> Motion <input type="checkbox"/> Public Hearing Date: <input type="checkbox"/> Ordinance 1 <sup>st</sup> Reading Date: <input type="checkbox"/> Ordinance 2 <sup>nd</sup> Reading Date: <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Information or Direction <input type="checkbox"/> Information Only <input type="checkbox"/> Council Direction <input type="checkbox"/> Consent Agenda		<input type="checkbox"/> Approval <input type="checkbox"/> Denial <input type="checkbox"/> None Forwarded <input checked="" type="checkbox"/> Not Applicable <b>Comments:</b> N/A	
<b>Staff Recommendation:</b> N/A			
<b>Recommended Language for Motion:</b> N/A			
<b>Project / Issue Relates To:</b>			
<input checked="" type="checkbox"/> Council Goals/Priorities:	<input type="checkbox"/> Adopted Master Plan(s):	<input type="checkbox"/> Not Applicable	

**ISSUE BEFORE COUNCIL:**

Information sharing and direction seeking on financing options and prioritizing projects.

**EXECUTIVE SUMMARY:**

There are three basic methods of financing capital requirements: funding from current revenues; from existing fund balances; or from the issuance of debt. City staff has compiled a list of project without any current identifiable funding (**ATTACHMENT A**). Four specific projects (French Prairie Bridge, Gateway Place (Town Center), Ice Age Tonquin Trail North, and the I-5 Pedestrian Bridge) are more atypical of the larger listing, having different funding challenges, and have been set aside outside the scope of this discussion for now. All other projects on the, totaling \$110.4 million dollars, fall under either, Parks and Recreation, Library, or Public Safety. All of which are General Fund responsibilities. All of the original Parks projects that were identified by Parks Bond Task Force in 2018 are still on the list, which now also includes updated facility needs related to Parks and Recreation, Library, Public Safety as well.

As of 06/30/2022, the General Fund had an unassigned available fund balance of \$8.2 million and the Parks System Development (SDC) Fund had a balance of \$3.2 million. General Fund unassigned balances may be needed for ongoing operational needs or other one-time future capital expenses and should be considered particularly judiciously. The Parks SDC Fund balance is largely accounted for other planned parks infrastructure needs. While federal and state grant funding can be a piece of any contributing current revenue possibility for unfunded projects, they are more of a possible contributor rather than probable in any significant manner at this point. Any serious dent in the \$110.4 million dollar General Fund associated infrastructure need will need to involve the issuance of debt.

Financing Options: To pay the debt service for this type of debt the City would have two basic debt options, a General Obligation (G.O.) Bond or a Revenue Bond.

- 1) G.O. BONDING requires voter approval of a property tax levy from which the bond’s debt service will be paid. It is a bit of a moving target with rapidly rising interest rates and a growing overall City assessed value, however **ATTACHMENT B** provided by PFM Financial Advisors LLC outlines levy rates needed for \$30 million, \$40 million, and \$50 million debt financings. They have outlined options using both a declining levy method and also level levy approach. A declining levy approach is generally viewed slightly more favorably by rating agencies, as it results in slightly faster principal amortization. A declining levy rate is made possible by the increasing overall City wide assessed value, which increases by at least 3% a year. Assuming a \$300,000 assessed home the following chart summarizes the levy cost at each level of GO Debt:

Loan Amount	Averaged Levy rate	Homeowner Cost/ Per Year	Homeowner Cost/ Per Month
\$30 Million	0.4949	\$148.47	\$12.37
\$40 Million	0.6599	\$197.97	\$16.50
\$50 Million	0.8248	\$247.44	\$20.62

- 2) REVENUE BONDING requires the establishment of specific revenue source, which could manifest in this case as perhaps a type of assessed *Parks, Library, & Public Safety Fee*. This could be assessed for example as a flat fee for residential household, multi-family dwelling units, and commercial suites. Medford, Gresham, St. Helens, and Oregon City have each established variation of this type fee, which are assessed on the utility bills of customers. In the case of Oregon City, once its \$16 million voter approved debt issuance for its new Police & Municipal Court Building is paid off, the corresponding \$6.50 monthly utility fee sunsets. Keep in mind with that financing however, Oregon City has a larger utility account base and is financing only approximately \$16 million.

**Prioritizing Unfunded Projects:** Given the large dollar amount of unfunded Parks and Facility projects, the Parks and Recreation Team has narrowed down the original \$53M (2018 estimates) of unfunded projects which were identified by the Parks Bond Task Force, to three potential bond packages for consideration and updated the costs. Option 1 is a collection of projects totaling \$20.2 million; Option 2 is \$28.2 million, and Option 3 is \$50.2 million. Each of the three packages brings forward meaningful park improvements that will benefit the community while leaving additional room in the overall potential bond amount for Police building improvements and other various unfunded projects citywide. **ATTACHMENT C** outlines in detail the proposed options.

If Council were to decide and/or support a certain bonded debt maximum amount and allocation preference of between Parks, Library, and Public Safety (or specific projects) staff can bring for discussion additional information for a path forward.

**EXPECTED RESULTS:**

Prioritized projects.

**TIMELINE:**

N/A

**CURRENT YEAR BUDGET IMPACTS:**

N/A

**COMMUNITY INVOLVEMENT PROCESS:**

N/A

**POTENTIAL IMPACTS OR BENEFIT TO THE COMMUNITY:**

N/A

**ALTERNATIVES:**

N/A

**CITY MANAGER COMMENT:**

N/A

**ATTACHMENTS:**

- A. List of unfunded capital projects
- B. General Obligation Bond Scenario Analysis – PFM Financial Advisors LLC
- C. Parks Projects Bond Option Packages