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COUNCIL COMMUNICATION
City Manager's Office

GENERAL INFORMATION
Agenda Date: 04/25/2005 Communication No.: 05-215
Agenda Item Type: Resolution Roll Call No.:

Submitted by: Merrill Stanley, Finance Director

SUBJECT—
Public hearings regarding the issuance of General Obligation Bonds, approving the issuance of the Preliminary Official Statement, and authorizing the advertisement for sale.

SYNOPSIS—
Twelve separate public hearings regarding the issuance of General Obligation Bonds to finance the FY 2005-06 Capital Improvement Program in the total amount of $42,760,000, approving the issuance of the Preliminary Official Statement, and authorizing the advertisement for sale on May 11, 2005.

FISCAL IMPACT—
The funding amounts for various capital projects are consistent with the FY 2005-06 CIP, adopted by City Council on March 7, 2005 (Roll Call No. 05-583), and the addition of $1,000,000 to fund improvements to Principal Park that were previously scheduled for FY 2006-07. Annual debt service on this year's General Obligation Bond issue will be paid from (1) the property tax debt service levy approved by City Council and certified to the State, and (2) tax increment funds, as available.

RECOMMENDATION—
Approval

BACKGROUND—
CIP improvements to be financed include projects in the following categories:

Bridge and Viaduct	$475,000
Fire Protection Improvements	975,000
Library Improvements	3,570,000
Municipal Improvements	6,560,000
Parks Improvements	11,015,000
Sidewalk Improvements	940,000
Street Improvements	9,555,000
Traffic Control Improvements	375,000
Neighborhood and Economic Development Improvements	8,725,000
Total Projects	$42,190,000
Estimated Issuance Costs	570,000
Total Bond Issue Amount	**$42,760,000**

Included in the packet are two lists of the various projects to be financed by this bond issue. The first list is the "Distribution of Bond Proceeds and Costs." This document follows the same structure and sequence as the CIP document, and lists every project to be financed, as well as the associated dollar amount of the borrowing, including issuance costs. The second list, "Project Classification and Hearings Summary," is from bond counsel and lists the same projects sorted into separate public hearings that will be held in conformance with State law regarding municipal bond issues.

Also included in the packet are two more worksheets that show that the amortization of principal exceeds the rate of asset depreciation for projects purchased or constructed with FY2006 CIP dollars. The worksheet entitled "FY2006 Capital Improvement Project Financing" shows the useful lives in five-year increments for FY2006 CIP projects. A second worksheet entitled "FY2006 Capital Improvement Program Bond Repayment vs. Useful Lives" shows the annual bond principal repayment amounts for Series 2005B, 2005C, 2005D and Total as compared to the estimated useful lives and cumulative depreciation of the assets.

The proposed repayment schedules vary significantly among the three series. Series 2005B, a single (federal) tax-exempt issue is a fairly typical repayment timeline. Series 2005C, a double tax-exempt (federal and state) issue has delayed principal repayment to take the best advantage of its lower interest rates. Series 2005D, a taxable issue, has been proposed to be repaid as quickly as possible to avoid the higher interest rates that will be associated with its taxable status. Series 2005C is proposed to have an 18-year maturity instead of the typical 20-year because our analysis indicates that TIF will be available to pay slightly higher payments over the 18 years, and an estimated $630,000 can be saved by eliminating the last two years of interest costs.

In summary, the three issues have been structured in a coordinated manner that takes the most advantage of anticipated interest costs and ensures that the value of assets is repaid prior to the end of their useful lives.