



**Council
Communication**
Office of the City Manager

Date

June 19, 2006

Agenda Item No. 3

Roll Call No. 06-

Communication No. 06-395

Submitted by: Allen McKinley, Acting Finance Director

AGENDA HEADING:

Approval to direct the sale of Series 2006A, B, & C General Obligation Bonds for the FY 2006-07 Capital Improvement Program (CIP).

SYNOPSIS:

Staff is still compiling the details of the recommendation, and this draft council communication will be updated on Monday, June 19th to include information that is currently omitted and represented with blank spaces.

Recommend approval to direct the sale of three series of General Obligation Bonds to finance \$_____ in acquisition and construction projects as a part of the FY 2006-07 CIP.

- Series 2006A is \$_____ with a 20-year term, federal tax exempt, to be repaid from the debt levy.
- Series 2006B is \$_____, with a 20-year term, federal and state tax exempt, to be repaid from Tax Increment Financing (TIF).
- Series 2006C is \$_____, with a 3-year term, taxable, to be repaid from TIF.

Issuance costs are estimated to be \$_____. These actions also seek approval to release the bond Preliminary Official Statement for a sale date of July 12.

FISCAL IMPACT:

Amount: \$_____, made up of \$_____ project costs and \$_____ issuance expenses, plus interest.

Funding Source: Fiscal Year 2006-07 Operating Budget:

- Property Tax Debt Service Levy – Debt Service Fund, Series 2006X – FIN905500 to FIN906500, Page 204.
- Tax Increment Financing – Metro Center District – SP370 FIN909105, Page 309.
- Tax Increment Financing – Southeast Agricultural District – SP370 FIN909108, Page 309.

ADDITIONAL INFORMATION:

Fourteen public hearings were held by the City Council on April 24, 2006 to consider projects to be included in the FY2006-07 bonding for the CIP. A final list of projects to be financed is included in the Council packet and summarized by category below. This list reflects changes made to project amounts following comments made at the public hearing and following a ruling by the Iowa Supreme Court regarding utility franchise fees that could potentially reduce city revenues. The bond sale was originally scheduled for May 31st but was delayed to allow City staff time to review project priorities in light of the Supreme Court ruling. The result of that review is to recommend a \$_____reduction in the amount to be bonded for FY2006-07, from \$38,875,000 to _____.

It is estimated that each \$1,000,000 reduction in the bond issue will reduce future annual debt service expense by \$80,000. That translates into a property tax rate impact of approximately 1.3 cents for every \$1,000,000 of bonds. The proposed reduction of \$6,500,000 will therefore save an estimated \$520,000 in annual service expense or 8.5 cents on the tax rate.

<u>CATEGORY</u>	<u>AMOUNT</u>
• Bridge and Viaduct	\$2,450,000
• Fire Protection Improvements	2,025,000
• Library Improvements	1,541,250
• Municipal Improvements	5,885,000
• Parks Improvements	7,700,000
• Sidewalk Improvements	1,180,000
• Street Improvements	13,257,500
• Traffic Control Improvements	290,000
• Neighborhood and Economic Development Improvements	4,040,000
• Total Projects	\$38,368,750
• Estimated Issuance Costs	506,250
• Total Bond Issue Amount	<u>\$38,875,000</u>

The Council is being asked to approve the bond structure, amount and sale date. The bond sale is now scheduled for Wednesday, July 12, 2006, which will require a special Council meeting, following a strategy of scheduling bond sales apart from Mondays and Tuesdays and near holidays in an effort to benefit from greater interest on the part of potential underwriters and investors.

In a related item on the regular City Council meeting agenda for June 19th, staff is recommending to proceed with over \$2,300,000 in street resurfacing contracts to be funded with gaming revenues. The recommendation to proceed is based on commitments made and the fact that preliminary engineering work has been completed on those projects. There will be an additional \$5,000,000 of gaming revenues available in FY2007, which may be considered for reprogramming to meet operating budget demands, if the need arises. This approach will allow several more months to study the impact of the gas and electric utility franchise fee ruling before a decision is made to reprogram gaming revenues.

PREVIOUS COUNCIL ACTION(S):

Date: May 31, 2006

Roll Call Number: 06-1068-I

Action: Authorizing the Postponement of the Sale of the General Obligation Bonds, Series 2006A, B and C. Motion Carried 7-0.

Date: May 8, 2006

Roll Call Number: 06-940

Action: Directing the sale of Series A, B & C General Obligation Bonds for the FY 2006-07 Capital Improvement Program, \$38,875,000, (bonds will be sold on May 31st at 11:00 AM, a special Council meeting will be held on May 31st at 4:00 PM in the St Etienne Conference Room). (Council Communication No. 06-272) Motion Carried 6-1. Absent: Coleman

Date: April 24, 2006

Roll Call Number: 06-803 to 06-830

Action: Public hearing on the following Bond Issue items: ([Council Communication No. 06-236](#))

- (A) Essential Corporate Purposes-1, not to exceed \$18,270,000. Moved by Coleman to adopt, subject to incorporating the following changes: 1) Postpone \$700,000 allocation for a Skate Park. 2) Increase allocation by \$150,000 for Ingersoll Streetscape Improvements. 3) Reduce allocation by \$300,000 to the Neighborhood Finance Corporation. Motion Carried 7-0.
- (B) to (N) Approve without change. Motion carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

Date:

Roll Call Number:

Action:

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Subsequent steps in the planned timeline for the 2006 G.O. Bond issue are as follows:

- July 12 – Special City Council meeting to award sale of bonds.