



Legislation Text

File #: DIS 21-005, **Version:** 1

Discussion of issues relating to a possible General Obligation Bond Election on May 1, 2021.

Summary:

At the September 15, 2020 Council Workshop, City staff outlined some potential propositions for possible inclusion in a General Obligation (GO) Bond election. This was the result of staff efforts during the past year in addressing various strategies contained in the City's Strategic Plan. The strategies that resulted in the identified possible GO Bond propositions were Strategies No. 1 and 2 within Emphasis No. 3 "Comprehensive Planning" as follows:

Strategy 1: *Establish a master plan for City facilities for maintenance and/or replacement of all city facilities including but not limited to: A new Activity Center (to include a tourism center); a new Community Center; the Deer Park Public Library; the Avon and Kingsdale Centers; the replacement of Fire Stations #1 and #2; a review of the facilities maintenance program, with an eye toward consolidation and centralization.*

Strategy 2: *Upgrade Drainage Plan and establish implementation plan.*

Replacement of City facilities and major drainage projects are not typically addressed through the annual budget process due to the cost. These types of large expenditures are more often part of a bond program involving the issuance of debt.

We are now twenty (20) years removed from the City's last General Obligation bond election. The City's financial advisor, John Robuck with BOK Financial Securities, Inc. has prepared the attached capacity analysis, which indicates that approximately \$65.9 million could be sold in General Obligation debt over a 3-year period as follows without requiring an ad valorem tax increase to support the debt:

Series 2021:	\$24,600,000
Series 2022:	\$15,280,000
Series 2023:	<u>\$26,020,000</u>
Total	\$65,900,000

Pursuant to the aforementioned Strategic Plan strategies, City staff identified capital projects to be considered for inclusion in a future General Obligation Bond Election. This would include funding for 1) drainage projects, 2) Fire Department Facilities (including replacement of Fire Stations No. 1 and No. 2, and a new training facility, 3) Streets, sidewalks and related drainage, and 4) Replace the Jimmy Burke Activity Center. As of September 15, 2020, the estimated total for all of the proposed projects was approximately \$61,082,228.

Two key considerations:

- 1) Since the bonding capacity will not allow all of the debt to be sold in one year, the projects will need to be prioritized so that bond sales will be within bonding capacity for each year, and

- 2) For bond sales in the 2nd year (2022) and 3rd year (2023), the costs of the projects will need to include inflation.

Below are the propositions that are proposed to be included in a General Obligation Bond Election. If all propositions are approved by the voters, the total would be \$65,900,000, which includes inflation.

Proposition A: \$19,500,000 for the design, construction, acquisition, and equipment of drainage improvements and the acquisition of land and rights-of-way.

Proposition B: \$16,900,000 for the for the design, construction, acquisition, and equipment of fire department facilities, including a new Fire Station #1, Fire Station #2, and training room. (See note #1 below).

Proposition C: \$7,200,000 for the design, construction, acquisition, and equipment of streets and sidewalks, including related, storm drainage improvements, and paving improvements, and the acquisition of rights-of-way.

Proposition D: \$22,300,000 for design, construction, acquisition, and equipment of a new Jimmy Burke Activity Center. (See note #2 below).

Note #1: The Fire Department desires to also make renovations to Fire Station No. 3 if any funding remains after the three specified projects.

Note #2: The New Jimmy Burke Center would include the Visitors Center and Museum.

A consideration to keep in mind is if a GO bond election fails, the City cannot issue Certificates of Obligation (COs) for that same purpose for three (3) years. The City has issued COs in the past and could issue COs for any of the proposed purposes. However, should a GO proposition fail, the City would not be able to sell COs for the same purpose for 3 years.

Historical Note regarding the last General Obligation Bond Election

The City of Deer Park's last General Obligation Bond Election was held on September 23, 2000. The ballot consisted of seven (7) separate propositions totaling \$25,690,000 and all propositions were approved by the voters. It was intended at the time to be a 10-year capital program. The plan was spread the bond sales over the 10-year period with bond sales timed such that additional debt would be added when overall debt payments were declining, thus not necessitating a tax increase. Projects were divided into three (3) bond sales in 2001, 2005 and 2007. The propositions were as follows:

Proposition No. 1: \$7,550,000 public safety, fire and police building bonds

Proposition No. 2: \$6,580,000 park and recreational facility improvement bonds

Proposition No. 3: \$2,250,000 drainage improvement bonds

Proposition No. 4: \$3,700,000 streets, sidewalks and related drainage improvement bonds

Proposition No. 5: \$1,510,000 bonds for renovation, construction, furnishing and equipment of a city hall complex

Proposition No. 6: \$1,750,000 bonds for renovation, construction, furnishing and equipment of a library building

Proposition No. 7: \$2,350,000 community center building bonds.

Fiscal/Budgetary Impact:

Based on the capacity analysis, a total of \$65,900,000 in General Obligation debt could be issued

debt over a 3-year period (Series 2021: \$24,600,000, Series 2022: \$15,280,000, Series 2023: \$26,020,000) without requiring an ad valorem tax increase to support the debt.

Discussion only in Workshop. An action for Council consideration and possible action is to be included on the February 2, 2021 Regular Council Meeting Agenda.