

## **Staff Report**

On July 26, 2007, the City Council authorized publication of an Official Notice of Intention to Issue Certificates of Obligation. The financing of the projects complies with the Financial Policies for the use of non-voter approved debt listed in Attachment A. See Attachment B for the schedule of project costs and useful life. Annual debt service funding for the Certificates of Obligations is to be provided by a combination of property taxes and transfers into the General Obligation Debt Service Fund from issuing departments. The entire \$3,820,000 in Certificates of Obligation that is being issued, is being issued to provide funding for reimbursement resolutions that have already been approved by Council

The debt obligations will be competitively bid with all the member of the City's two underwriting teams. Bids will be verified by the City's Financial Advisor, Public Financial Management, Inc.

This item has been posted for not later than 2:00 p.m. to allow City Council action prior to the close of financial markets.

The Debt Service Cost for the \$3,820,000 issuance is estimated as follows:

	2007-2008	Total Cost over 20 Years	Average Per Year
Principal	\$ 115,000	\$3,820,000	\$ 191,000
Interest	210,100	2,545,950	127,298
Total Debt Service	\$ 325,100	\$ 6,365,950	\$318,298

Of the \$3,820,000 that is being issued, \$2,500,000 is tax supported and \$1,320,000 is self-supporting debt paid by transfers to the General Obligation Debt Service Fund.

## **ATTACHMENT A**

### **FINANCIAL POLICIES**

#### **POLICY**

1. It is the City's priority to fund capital expenditures with cash or voter approved debt. However, non-voter approved debt may be used for capital expenditures as an alternative to lease/purchase or other financing options if capital expenditure is:

\* Urgent,

- \* Unanticipated,
- \* Necessary to prevent an economic loss to the City,
- \* Revenue generating, resulting in an economic gain to the City within a reasonable time, or
- \* Approved and budgeted for financing in the annual budget, and
- \* Non-voter approved debt is the most cost effective option available.

### **STATUS**

The projects were included in the 2006-2007 Amended Capital Budget or are included in the proposed 2007-2008 Capital Budget. Certificates of Obligation provide the most cost-effective option available.

### **POLICY**

2. The average maturity of non-voter approved debt shall not exceed the average life of the capital items financed.

### **STATUS**

It is anticipated that this issue of Certificates of Obligation will have an average maturity of less than thirteen years. The minimum life of the projects is in excess of thirteen years.

### **POLICY**

3. Capital items financed with non-voter approved debt shall have a value of at least \$10,000 and life of at least four years.

### **STATUS**

All items are in compliance.

## **ATTACHMENT B**

### **PROJECTS PROPOSED FOR FINANCING**

<u>Description</u>	<u>Approximate Cost</u>	<u>Useful Life</u>
1. Circle C Metro Park	\$ 2,500,000	20 years
2. Compressed Natural Gas Facility	1,320,000	20 years

Of the \$3,820,000 that is being issued, \$2,500,000 will be paid from the tax-supported debt service fund. The remaining \$1,320,000 will be funded by transfers from the operating funds.

