



## STAFF REPORT

**DATE:** November 9, 2021

**TO:** Kent Cagle, City Manager

**FROM:** Jonathan Locke, Executive Director of Finance

**SUBJECT:** Street Improvement Certificates of Obligation Repayment Source

### **BACKGROUND AND FINDINGS:**

During the Fiscal Year 2022 Budget process, City Council deliberated the different options to address street maintenance and reconstruction. A street condition assessment conducted in 2019 recommended annual street maintenance of \$4.3 million to maintain streets at their current condition. The assessment also identified \$120 million in streets that are beyond the point of maintenance and need to be reconstructed. Following the assessment, Winter Storm Uri further deteriorated street conditions and added another \$40 million of streets that require reconstruction. On September 14, 2021, City Council approved adjusting the Street Maintenance Fee to a monthly rate of \$10 per single-family equivalent that is expected to generate \$9.7 million annually. The additional revenue from the Street Maintenance Fee will be used to meet the recommended \$4.3 million annual street maintenance, provide approximately \$4 million annually for street reconstruction, and repay a \$24 million bond issue for street reconstruction.

Local Government Code, Section 271.052, authorizes certificates of obligation to be paid from and secured by other revenues if the revenue source is specifically identified in the state constitution or other statute. Since the Street Maintenance Fee is not specifically identified in the state constitution or other statute, revenues from the Street Maintenance Fee cannot be used to secure the certificates of obligation. Street Maintenance Fee revenues can be used to repay the certificates of obligation. Since the Street Maintenance Fee cannot be used to secure the certificates of obligation, the drainage utility system is listed as the revenue source that will secure the certificates of obligation. This resolution clarifies that the Street Maintenance Fee is the intended repayment source for the issuance of the certificates of obligation for street improvements.

### **THE ALTERNATIVES CONSIDERED:**

- 1) Do not approve the resolution.
- 2) Approve the resolution.

### **Which alternative is recommended? Why?**

Alternative two is recommended. The resolution clarifies that the Street Maintenance Fee is the intended repayment source for the certificates of obligation for street improvements.

**CONFORMITY TO CITY POLICY:**

- Local Government Code, Section 271.041, known as the Certificate of Obligation Act of 1971.
- City Charter, Article VI. Issuance and Sale of Bonds.
- The Financial Governance Policy, Section XIV. Debt.

**FINANCIAL IMPACT:**

**What is the amount of the expenditure in the current fiscal year? For future years?**

N/A

**Is this a one-time or recurring expenditure?**

N/A

**Is this expenditure budgeted?**

N/A

**If not, where will the money come from?**

N/A

**Is there a sufficient amount in the budgeted line-item for this expenditure?**

N/A

**RECOMMENDATION:**

City Council approve the official intent regarding the issuance of certificates of obligation for street improvements.

**DEPARTMENTAL CLEARANCES:**

Finance  
Legal

**ATTACHED SUPPORTING DOCUMENTS:**

Resolution