



STAFF REPORT

DATE: November 9, 2021

TO: Kent Cagle, City Manager

FROM: Jonathan Locke, Executive Director of Finance

SUBJECT: Street Reconstruction Certificates of Obligation

BACKGROUND AND FINDINGS:

The City maintains 539 centerline miles, or 2,191 lane miles, of paved roadways with a total replacement value of \$840 million. To better address street maintenance needs, City Council adopted an ordinance in December 2018 establishing a Street Maintenance Fee. The Street Maintenance Fee was set at a monthly rate of \$1.70 per single-family equivalent that generates approximately \$1.7 million annually for street maintenance.

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.

During the Fiscal Year 2022 Budget process, City Council deliberated the different options to address street maintenance and 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.

The attached resolution is the first step in the process of issuing bonds for street reconstruction. The resolution authorizes proceeding with the issuance of certificates of obligation, identifies the allowable uses of the proceeds, limits the maximum principal amount to \$24 million, and directs a public notice of intent to be published. The public notice is included with the resolution and will be published on the same day during the weeks of November 15, 2021, and November 22, 2021. The notice will also be published on the City's website.

Highlights of the remaining steps include obtaining a rating on the certificates of obligation, creating and distributing the Official Statement to bidders for the competitive sale, and City Council approving an ordinance authorizing the issuance of the certificates of obligation. The ordinance authorizing the issuance of the certificates of obligation is scheduled for City Council's consideration on January 25, 2022. The bids for the certificates of obligation are due the same day and will be available at the meeting.

The City should receive the funds from the issuance on February 16, 2022. The proceeds will be used to begin addressing the priority projects in the table below:

Street	Limits From	Limits To	Cost Estimate
Gilmer Street	Veterans Mem. Blvd.	Dead End	\$3,806,000
Willow Springs Road	Trenton	Westwood	\$4,089,449
Bunny Trail	Canadian River	Stan Schlueter	\$9,012,389
Watercrest Rd.	Clear Creek	Willow Springs	\$13,817,222
Zephyr Road	Martin Luther King, Jr.	Metropolitan	\$8,923,556
Bacon Ranch Road	Little Nolan	Dead End	\$1,766,667
Bermuda Drive	Edgefield	Quail	\$4,835,556
Rancier Avenue	Fort Hood Street	38 th Street	\$18,407,667
		Total	\$64,658,506

THE ALTERNATIVES CONSIDERED:

- 1) Do not issue the certificates of obligation.
- 2) Issue the certificates of obligation in a different amount.
- 3) Issue the certificates of obligation.

Which alternative is recommended? Why?

Option three is recommended. City Council discussed the available options to address street reconstruction during the FY 2022 Budget process and determined issuing certificates of obligation to expedite the process was the most effective course of action.

CONFORMITY TO CITY POLICY:

This action has been reviewed by the City's Bond Counsel representative, Bart Fowler, of McCall, Parkhurst, & Horton, and the City's Financial Advisor, Dan Wegmiller, of Specialized Public Finance, Inc. and conforms to state and local law, including:

- ☐ 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?

There will be a nominal fee to publish the two notifications of intent and an examination fee payable to the Attorney General of Texas Public Finance Division in the amount of \$9,500.

Is this a one-time or recurring expenditure?

One-time

Is this expenditure budgeted?

Yes, in Fund 328 - Certificates of Obligation 2022.

If not, where will the money come from?

N/A

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

Yes

RECOMMENDATION:

City Council approve proceeding with issuance of certificates of obligation for street improvements and further directing the publication of notice of intention to issue combination tax and revenue certificates of obligation for street improvements.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Resolution