



City of Killeen

Legislation Text

File #: RS-23-074, **Version:** 1

Consider a memorandum/resolution authorizing proceeding with issuance of certificates of obligation for capital projects and further directing the publication of notice of intention to issue certificates of obligation for capital projects.

DATE: April 18, 2023

TO: Kent Cagle, City Manager

FROM: Judith Tangalin, Executive Director of Finance

SUBJECT: Certificates of Obligation

BACKGROUND AND FINDINGS:

During the Fiscal Year 2023 Budget process, City Council deliberated the different options to address capital improvement projects. On September 20, 2022, City Council provided a motion of direction to provide a financial forecast and future debt service capacity at a future meeting. On November 15, 2022, City Council received this information and provided a motion of direction to seek Citizen’s input on potential bond projects at a Special City Council Workshop on January 9, 2023. After receiving Citizen’s input on January 9, 2023, City Council provided a motion of direction to seek Citizen’s input through a survey via the City’s website and return for a follow up Special Workshop on March 30th. On March 30, 2023, a Special Workshop was held to discuss the results of the survey and receive Citizen’s input on potential bond projects.

The attached resolution is the first step in the process of issuing bonds to fund some of the capital projects. The resolution authorizes proceeding with the issuance of certificates of obligation, identifies the allowable uses of the proceeds, limits the maximum principal amount to \$32 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 April 30, 2023, and May 7, 2023. The notice will also be published on the City’s website for more than 45 days.

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 July 11, 2023. 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 August 2, 2023. The proceeds will be used to begin addressing the priority projects in the table below:

Project	Cost Estimate
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Police Parking Expansion (construction)	\$1,380,000
Police Evidence Storage Building (construction)	\$3,040,000
Parks Maintenance Facility (construction)	\$2,000,000
Skylark Fixed Base Operator (FBO) Building	\$2,700,000
Park Construction/Renovation	\$4,500,000
Fleet Services Facility	\$18,000,000
Issuance Costs/Contingency	\$380,000
	\$32,000,000

THE ALTERNATIVES CONSIDERED:

- 1) Do not approve proceeding with issuance of certificates of obligation for capital projects and further directing the publication of notice of intention to issue certificates of obligation for capital projects.
- 2) Approve proceeding with issuance of certificates of obligation for capital projects and further directing the publication of notice of intention to issue certificates of obligation for capital projects in a different amount.
- 3) Approve proceeding with issuance of certificates of obligation for capital projects and further directing the publication of notice of intention to issue certificates of obligation for capital projects.

Which alternative is recommended? Why?

Option three is recommended. City Council discussed the available options to address the proposed capital projects during the FY 2023 Budget process and subsequent bond project workshops.

CONFORMITY TO CITY POLICY:

This action has been reviewed by the City’s Bond Counsel, 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, 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 notices 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, funds are available in Fund 327 - Certificates of Obligation 2023, upon approval of the budget amendment.

If not, where will the money come from?

N/A

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

Yes, upon approval of the budget amendment.

RECOMMENDATION:

City Council approve proceeding with issuance of certificates of obligation for capital projects and further directing the publication of notice of intention to issue certificates of obligation for capital projects.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Resolution
Presentation