



City of Killeen

Legislation Text

File #: OR-22-002, **Version:** 1

Consider an ordinance authorizing the issuance and sale of Combination Tax and Revenue Certificates of Obligation, Series 2022, for street improvements.

DATE: January 18, 2022
TO: Kent Cagle, City Manager
FROM: Jonathan Locke, Executive Director of Finance
SUBJECT: Certificates of Obligation for Street Improvements

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 generated 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.

On November 16, 2021, City Council authorized proceeding with the issuance of certificates of obligation for street improvements and directed the publication of notice of intention to issue up to \$24 million of combination tax and revenue certificates of obligation for street improvements (CCMR #21-146R). The language for the public notice was approved as part of the resolution and was published in the Killeen Daily Herald on November 18, 2021, and November 25, 2021. The notice was also published on the City's website.

On January 7, 2022, a bond rating with Standard and Poor's for the certificates of obligation was facilitated. The Official Statement was distributed to bidders for the competitive sale, and bid results are due back January 25, 2022. The draft ordinance attached will be updated with the results after receipt of the bids, since the bids for the certificates of obligation are due the same day that City Council will consider the ordinance

authorizing the issuance of the certificates of obligation.

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 |
| Stagecoach Road | TX-195 | E. Trimmier Road | \$16,396,600 |
| | | Total | \$81,055,106 |

THE ALTERNATIVES CONSIDERED:

- 1) Do not issue the certificates of obligation.
- 2) Issue the certificates of obligation.

Which alternative is recommended? Why?

Option 2 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?

The debt service for the certificates of obligation will be paid from Street Maintenance Fee revenues. The

annual debt service payment is estimated to be \$1.6 million over a 20-year term.

Is this a one-time or recurring expenditure?

The certificates of obligation will be repaid over a 20-year term.

Is this expenditure budgeted?

Yes, debt service for the certificates of obligation is budgeted in the Street Maintenance Fund, account #234-9000-489.72-10.

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 the ordinance authorizing the issuance and sale of Combination Tax and Revenue Certificates of Obligation, Series 2022, for street improvements.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Ordinance