



City of Killeen

Legislation Text

File #: OR-23-012, **Version:** 1

Consider an ordinance authorizing the issuance and sale of Combination Tax and Revenue Certificates of Obligation, Series 2023, for capital projects.

DATE: June 27, 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.

On April 25, 2023, City Council authorized proceeding with the issuance of certificates of obligation for these capital projects and directed the publication of notice of intention to issue up to \$32 million of combination tax and revenue certificates of obligation for capital projects (CCMR# 23-073R). The language for the public notice was approved as part of the resolution and was published in the Killeen Daily Herald on May 1, 2023 and May 8, 2023. The notice was also published on the City's website.

On June 21, 2023, 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 on July 11, 2023. 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 of August 2, 2023. The proceeds will be used to begin addressing the priority projects in the table below:

Project	Cost Estimate
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 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 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?

The debt service for the certificates of obligation will be paid from the Debt Service Fund. The annual debt service payment is estimated to be \$2,629,000.

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 included in the Debt Service Fund accounts 400-9000-489.71-10 and 400-9000-489.72-10, in the FY 2024 proposed budget.

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 FY 2024 proposed budget.

RECOMMENDATION:

City Council approve the ordinance authorizing the issuance and sale of Combination Tax and Revenue Certificates of Obligation, Series 2023, for capital projects.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Ordinance