

# 2019 Bond Financing

City Council Meeting

March 4, 2019

## What Are Bonds?

- Borrowing from investors who are repaid (principal) with interest
- Investor's interest earnings may be exempt from federal income tax
- Used for construction/acquisition of public infrastructure
- Not used for operations/maintenance

## Bond Types

- General Obligation Bonds
  - Repaid through secondary property tax levy
  - Require voter authorization
  - Statutory limits on amount issued
- Revenue Bonds
  - Repaid through general city taxes/fees
  - Guided by policy (3x coverage)

BOND TYPE/PROJECT	BONDS	OTHER FUNDS
<b>GENERAL OBLIGATION BOND PROJECTS</b>		
Police Department Administration Expansion	\$6.0 M	\$1.1 M
Resource Center	4.0 M	7.0 M
Festival Fields Park Enhancements/Improvements	7.2 M	10.3 M
<b>TOTAL</b>	<b>\$17.2 M</b>	<b>\$18.4 M</b>

## G.O. Bond Details

- \$17.4 million
  - \$17.2 million project costs
  - \$0.2 million cost of issuance
- 20-year financing (FY2019 – FY2039)
- Estimated interest rate 4%
  - \$8.0 million over 20-year term
- Source of repayment: secondary property tax

## G.O. Bond Voter Authorization

PURPOSE	REMAINING AUTHORIZATION	PROJECT
Water improvements (1995)	\$3,570,000	
Water and sewer system improvements (1998 and 2007)	12,000,000	
Street and highway improvements (1998 and 2007)	9,250,000	
Parks, community centers, recreational facilities (2007)	7,200,000	Festival Fields Park
Public safety facilities (2007)	13,000,000	Police Administration
General government facilities (2007)	17,000,000	Resource Center

## G.O. Bond Capacity

		20% Limit	6% Limit
		Water, sewer, light, parks, open space, transportation, public safety	All other
Net assessed full cash valuation		\$569,188,401	\$569,188,401
Limit	X	20%	6%
Total capacity	=	\$113,837,680	\$34,151,304
Outstanding bonds	-	\$18,550,000	\$0
Remaining capacity	=	\$95,287,680	\$34,151,304

## G.O. Bond Annual Payments

	Current Bonds		Proposed Bonds	
	Principal + Interest	Projected Secondary Rate	Principal + Interest	Projected Secondary Rate
FY2020	\$2.2 M	0.5305	\$3.5 M	0.8262
...	...	...	...	...
FY2028	\$2.4 M	0.4863	\$3.6 M	0.7381
...	...	...	...	...
FY2039			\$1.2 M	0.2031



## Cost to Home Owner

- Property valued at \$100,000 by county
- \$0.2957 increase in rate for new bonds
- Homeowner pays \$29.57 in FY2020

BOND TYPE/PROJECT	BONDS	OTHER FUNDS
<b>REVENUE BOND PROJECTS</b>		
Historic Avondale Infrastructure	\$6.0 M	\$10.9 M
Water/Sewer Projects	4.0 M	TBD
<b>TOTAL</b>	<b>\$10.0 M</b>	<b>\$10.9 M</b>

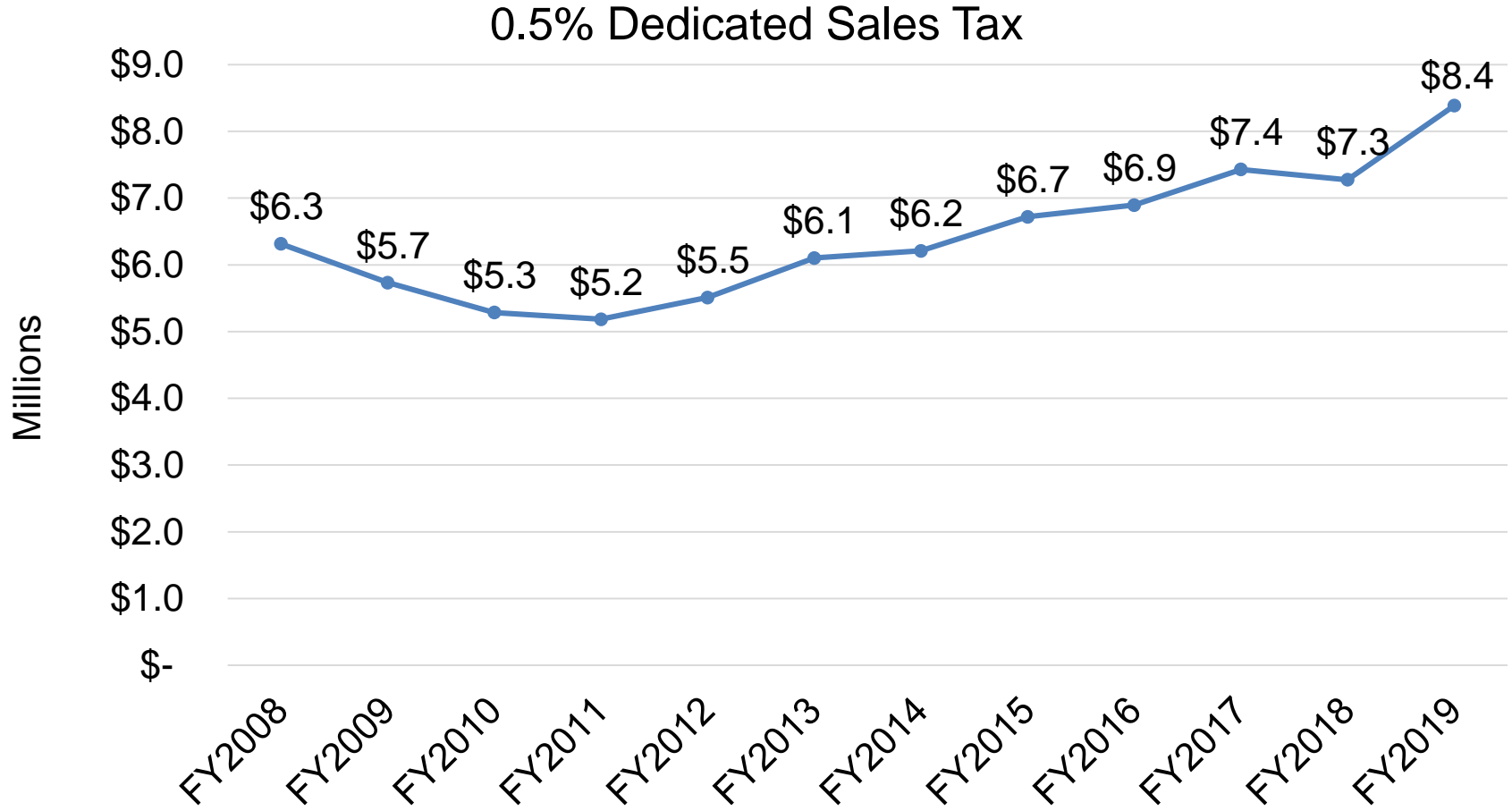
## Revenue Bond Details

- \$10.1 million
  - \$10.0 million project costs
  - \$0.1 million cost of issuance
- 11-year financing (FY2020 – FY2031)
- Estimated interest rate 3.5%
  - \$2.5 million over 11-year term
- Source of repayment: 0.5% dedicated sales tax

## Revenue Bond Annual Payments

	Current Bonds	Proposed Bonds
	Principal + Interest	Principal + Interest
FY2020	\$5.2 M	\$6.3 M
...	...	...
FY2024	\$1.0 M	\$2.0 M
...	...	...
FY2031		\$1.1 M

## Historical Collections



## Next Steps

- Early March: prepare resolution and financing documents
- Late March: Present to rating agencies
- Late March/Early April: Council approval
- Early May: Bond closing

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Questions or Comments?