



## Legislation Details (With Text)

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**Type:** Ordinance      **Status:** Passed

**File created:** 10/7/2018      **In control:** City Council

**On agenda:** 10/16/2018      **Final action:** 10/16/2018

**Title:** Pass an Ordinance authorizing a delegated sale of General Obligation (G.O.) Bonds for an amount not to exceed \$7,500,000

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Naperville 2018 - Authorizing Ordinance

Date	Ver.	Action By	Action	Result
10/16/2018	1	City Council	passed	Pass

### CITY COUNCIL AGENDA ITEM

#### **ACTION REQUESTED:**

Pass an Ordinance authorizing a delegated sale of General Obligation (G.O.) Bonds for an amount not to exceed \$7,500,000

**DEPARTMENT:** Finance Department

**SUBMITTED BY:** Rachel Mayer, Finance Director

#### **BOARD/COMMISSION REVIEW:**

N/A

#### **BACKGROUND:**

The original proposal for the 2018-2022 Capital Improvement Program (CIP) had a total of \$26.23 million in projects without dedicated funding sources. Through program review and project coordination efforts, staff reduced the recommended capital program by \$10.07 million. Staff recommendation to City Council included \$16.16 million of projects without dedicated funding sources at a series of workshops. Over the course of the workshops, City Council made several modifications to the capital program that reduced the capital program by an incremental \$0.56 million. Additionally, City Council authorized the usage of \$8.4 million in home rule sales tax to be used to fund capital expenditures. At the December 5, 2017 City Council meeting, the 2018 Budget was approved with \$7.13 million in projected borrowing for capital expenditures.

In 2017, staff modified the borrowing methodology to issue debt in the third quarter of each year. This change allowed staff to analyze capital project spending and make any adjustments to the required borrowing amounts. This practice also allows staff to better manage cashflow and reduce the amount of additional interest costs incurred.

To use this methodology, the City was required to pass an Official Intent for Reimbursement resolution regarding the Capital Projects. This allowed all projects approved through the 2018 budget to be included in any future bond sale. However, the resolution did not provide the authorization to borrow, it only reserved the ability to fund current projects with a future G.O. bond sale. On January 16, 2018, the City Council adopted this resolution.

**DISCUSSION:**

Staff is seeking a not to exceed value of \$7.50 million in general obligation bond issuances for new projects at a projected rate of 4.00%. As part of the 2018-2022 Capital Improvement Program (CIP), City Council conceptually approved borrowing for a portion of the projects. The City proposes to issue Series 2018 G.O. Bonds of which the proceeds of this sale will fund the current capital projects including the following:

Project List	Original Estimates
E-Government Initiatives	\$1,856,260
Building Maintenance & Upgrade Projects	\$1,519,000
Stormwater Management Programs	\$771,000
Traffic Improvement Programs	\$2,426,000
Other Capital Investment	\$537,500
<b>TOTAL</b>	<b>\$7,109,760</b>

The differential between the \$7.50 million not to exceed value and the projected \$7.11 of identified projects is to provide the City protection against market and sale conditions. The City will only sell bonds necessary to cover actual and projected capital project expenditures incurred in 2018. Any capital project savings or deferrals will also be reduced from the final sale value. Staff will provide City Council a final report on the general obligation bonds sold, projected debt service, and the impact on the City's debt reduction goal.

The 2018 issuance for G.O. bonds will have their first payment in 2019 and their projected final payment will occur in 2038 and have an average annual debt service payment of \$700,000. The new bonds will follow the City's existing bond repayment schedule of 20% of principle and interest (P&I) in the first five (5) years and 50% of P&I in the first ten (10) years. Interest is payable semi-annually on June 1 and December 1 and principle is due each December 1<sup>st</sup>.

The City was awarded the highest bond rating from Moody's and Standard & Poor's. Moody's awarded an 'Aaa' rating and Standard & Poors issued an 'AAA' rating.

Regarding the City's financial principles, this issuance is consistent with the financial plan that was projected as part of the 2015 discussions related to the implementation of a home rule sales tax. At the end of 2014 (when the principal was implemented), the City's debt position (including principle and interest) totaled \$121.3 million. At the end of 2018, the City is projected to have \$99.1 million in debt, a reduction of 18.3%.

The attached ordinance authorizes a delegated sale of general obligation.

**FISCAL IMPACT:**

Average Annual Debt Service Payments of approximately \$700,000.