City of Carroll

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MEMO TO: Honorable Mayor and City Council Members

FROM: Mike Pogge-Weaver, City Manager MJP-W

DATE: February 2, 2018

SUBJECT: PFM General Obligation Bonding Scenarios

Based on the Council's January 29th discussion with Susanne Gerlach of PFM Financial Advisors LLC, Susanne has updated her information to include three new scenarios for the Council to review and discuss. Scenarios 1, 1a, 2, 2a and 3 are unchanged from the material that was reviewed on January 29th. The previous scenario 4 has been renamed scenario 4a but is otherwise unchanged. As for the new scenarios: scenario 4 excludes the east side gym otherwise it is the same as scenario 4a. Scenario 5 and 5a follow the same projects and timing in Scenario 4 and 4a except the maximum levy is increased from $1.76 to $1.80.

Each scenario includes the three sets of potential G.O. bond issuance to cover various projects as follows:

Issuance #1	FY 2019 All Scenarios
Library/City Hall	$3,765,000
Youth Complex Lighting	$ 375,000
Pickleball Courts	$ 175,000
Trails	$ 120,000
Total	**$4,435,000**

Issuance #2	FY 2020 All Scenarios
Street Maintenance Garage	$ 700,000
Fire Truck	$ 375,000
Total	**$1,075,000**

Issuance #3	Pool & Locker Room FY 2024 Scenario 1 & 2	All Rec Projects FY 2024 Scenario 1a & 2a	All Rec Projects FY 2028 Scenario 3
Pool	$7,428,000	$7,428,000	$9,030,000
Locker Room	$1,246,000	$1,246,000	$1,517,000
East Side Gym	$ n/a	$2,389,000	$2,906,000
Total	**$8,674,000**	**$11,063,000**	**$13,453,000**

Issuance #3	Pool & Locker Room FY 2021 Scenario 4 & 5	All Rec Projects FY 2021 Scenario 4a & 5a
Pool	$6,416,000	$6,416,000
Locker Room	$1,075,000	$1,075,000
East Side Gym	$ n/a	$2,062,000
Total	**$7,491,000**	**$9,553,000**

Note that the above figures are estimated construction costs. The individual amounts listed in the bonding scenarios includes estimated construction costs and bond issuance fees.

Except for scenario 3 which includes all rec center projects, scenarios with an "a" include the pool, locker room and east side gym projects as part of the rec center improvements. The scenarios without an "a" only include the pool and locker room improvements at the rec center. The scenarios are as follows:

Scenario 1 (15-year bonds with Fall 2023 Rec Center Start) – UNCHANGED

- Issuance #1 issued in FY 2019 as a 15-year bond
- Issuance #2 issued in FY 2020 as a 6-year bond
- Issuance #3 issued in FY 2024 as a 15-year bond (pool and locker room only)
- Debt Service Levy Rate starts at $1.28, then to $1.30 in FY 2024, then to $1.33 in FY 2025, and then remains in the 1.33-1.30 range through FY 2039
- All debt paid off in FY 2039
- Highest level to the City legal debt limits is 29.68% in FY 2024

Scenario 1a (15-year bonds with Fall 2023 Rec Center Start) – UNCHANGED

- Issuance #1 issued in FY 2019 as a 15-year bond
- Issuance #2 issued in FY 2020 as a 6-year bond
- Issuance #3 issued in FY 2024 as a 15-year bond (All rec center projects)
- Debt Service Levy rate starts at $1.28, then to $1.40 in FY 2024, then to $1.74 in FY 2025, and then remains $1.74 or less through FY 2039
- All debt paid off in FY 2039
- Highest level to the City legal debt limits is 35.27% in FY 2024

Scenario 2 (20-year bonds with Fall 2023 Rec Center Start) – UNCHANGED

- Issuance #1 issued in FY 2019 as a 20-year bond
- Issuance #2 issued in FY 2020 as a 6-year bond
- Issuance #3 issued in FY 2024 as a 20-year bond (pool and locker room only)
- Debt Service Levy rate starts at $1.28, then to $1.11 in FY 2026, and then to $0.60 in FY 2039 through FY 2043
- All debt paid off in FY 2043
- Highest level to the City legal debt limits is 29.71% in FY 2024

Scenario 2a (20-year bonds with Fall 2023 Rec Center Start) – UNCHANGED

- Issuance #1 issued in FY 2019 as a 20-year bond
- Issuance #2 issued in FY 2020 as a 6-year bond
- Issuance #3 issued in FY 2024 as a 20-year bond (All rec center projects)
- Debt Service Levy rate starts at $1.28, then to $1.40 in FY 2024, then to $1.47 in FY 2025, then $0.99 in FY 2039 through FY 2043
- All debt paid off in FY 2043
- Highest level to the City legal debt limits is 35.30% in FY 2024

Scenario 3 (Accelerated bonds with Fall 2027 Rec Center Start) – UNCHANGED

- Issuance #1 issued in FY 2019 as a 9-year bond
- Issuance #2 issued in FY 2020 as a 6-year bond
- Issuance #3 issued in FY 2028 as a 19-year bond (All rec center projects)
- Maximum Debt Service Levy rate is kept at $1.28 each year with the last year at 0.27 in FY 2046
- All debt paid off in FY 2046
- Highest level to the City legal debt limits is 31.30% in FY 2028

Scenario 4 (Early Rec Center with Spring 2021 Rec Center Start) - NEW

- Issuance #1 issued in FY 2019 as a 20-year bond
- Issuance #2 issued in FY 2020 as a 6-year bond
- Issuance #3 issued in FY 2021 as a 20-year bond (All rec center projects)
- Debt Service Levy rate starts at $1.76, then to $1.60 in FY 2022, then to $1.43 in FY 2024, then to $1.06 in FY 2026, then to $0.68 in FY 2037, then end at $0.54 in FY 2039
- All debt paid off in FY 2039
- Highest level to the City legal debt limits is 33.34% in FY 2021

Scenario 4a (Early Rec Center with Spring 2021 Rec Center Start) – UNCHANGED

- Issuance #1 issued in FY 2019 as a 20-year bond
- Issuance #2 issued in FY 2020 as a 6-year bond
- Issuance #3 issued in FY 2021 as a 20-year bond (All rec center projects)
- Debt Service Levy rate starts at $1.76, then to $1.58 in FY 2024, then to $1.42 in FY 2026, then end at $0.91 in FY 2039
- All debt paid off in FY 2039
- Highest level to the City legal debt limits is 38.23% in FY 2021

Scenario 5 (Early Rec Center with Spring 2021 Rec Center Start – 1.80 levy) - NEW

- Issuance #1 issued in FY 2019 as a 18-year bond
- Issuance #2 issued in FY 2020 as a 6-year bond
- Issuance #3 issued in FY 2021 as a 18-year bond (pool and locker room only)
- Debt Service Levy rate starts at $1.80, then to $1.51 in FY 2025, then to $1.01 in FY 2026, then to $0.52 in FY 2037
- All debt paid off in FY 2038
- Highest level to the City legal debt limits is 33.30% in FY 2021

Scenario 5a (Early Rec Center with Spring 2021 Rec Center Start – 1.80 levy) – NEW

- Issuance #1 issued in FY 2019 as a 18-year bond
- Issuance #2 issued in FY 2020 as a 6-year bond
- Issuance #3 issued in FY 2021 as a 18-year bond (All rec center projects)
- Debt Service Levy rate starts at $1.80, then to $1.59 in FY 2024, then to $1.42 in FY 2026, then to $1.47 in FY 2028, then to $0.97 in FY 2037
- All debt paid off in FY 2038
- Highest level to the City legal debt limits is 38.19% in FY 2021

Included along with the General Obligation Bonding Scenarios from PFM is a worksheet that shows the projected future cost for the Recreation Center projects and the Street Maintenance Building projects. These projections use the original estimate of probable costs as the base and then inflates the construction cost 5% annually in future years.

In closing, I offer a cautionary note. During the Library/City Hall referendum, the City was looking at bonding scenarios that kept the debt service levy at 1.28 and the information the City distributed during the referendum noted that. Scenarios 1, 1a, 2, 2a, and 3 are structured in such a way that the debt service levy will remain at or below 1.28 with the debt related to both Library/City Hall project and the Street Maintenance Building and then only increases above 1.28 after voters approve a referendum on the Recreation Center improvements. Scenarios 4, 4a, 5, and 5a would require the Council to approve a debt structure for the Library/City Hall project and the Street Maintenance Building that would cause the debt service levy to exceed $1.28 before any referendum could be held on the Recreation Center project. Clearly there are advantages to the taxpayers in paying less in construction and interest costs under scenarios 4, 4a, 5, and 5a but the Council should be prepared to defend this position if they select one of these scenarios.

RECOMMENDATION: Council should review these scenarios and consider providing direction on how to structure the possible general obligation bond issuances.