



City of Elgin Office of the City Manager

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Elgin, Texas 78621

2021 Certificates of Obligation and 2021 Refunding Bonds

March 15, 2021

At the March 9 Regular Meeting of the Elgin City Council, city staff made its initial presentation of the proposed **2021 Certificates of Obligation** designed to fund a wide range of capital improvements projects in support of general government, water, and wastewater operations; and the proposed **2021 Refunding Bonds** to refinance previously issued debt (that will result in annual debt service savings).

Certificates of Obligation (COs) and debt issuance in general are a necessary component to funding major capital improvement projects for cities where such funds are not available through the annual operating budget. It is also of particular need in rapidly growing cities like Elgin, where demands for improved services and facilities exceed currently available resources.

The formal action taken by Council was to proceed with public notification as to the City's intention to issue COs in the not-to-exceed principal amount of \$25,890,000 as recommended by staff. Through this action, the Council stated for the record that they (a) are *considering* issuing Certificates of Obligation and Refunding Bonds, (b) that the COs will not exceed \$25,890,000 in the principal amount, (c) that a very deliberate, public decision-making process will be followed, and (d) that the final decision on the proposed COs and Refunding Bonds will occur no sooner than May 18, 2021. In addition:

- Staff has now recommended this *proposed* capital improvement and refinancing program. Any final decisions in this regard, however, is within the exclusive purview of the City Council. **Only the City Council can authorize the issuance of the debt** associated with this proposal.
- While Councilmembers received individual briefings on this program and the majority of the projects are in the previously approved Five-Year Capital Improvements Plan, the March 9 Meeting was the first time the proposal has been discussed by the Council as a whole.
- The not-to-exceed amount was set to allow Council to consider funding for all proposed projects - but that amount can be reduced before the final program is formally approved by City Council.
- As proposed, the program will not require an increase in the existing debt portion of the property tax rate. However, if fully funded as currently proposed, the average monthly utility bill is conservatively projected to **increase** by approximately **\$8 per month**.
- Nearly two-thirds of the funding proposed is devoted to four (4) major projects that have been long-discussed and address prior commitments made by the City: County Line Rd Widening, Weatherize Water Treatment Plant, Wastewater Treatment Plant Expansion, and WWlines-FM1704.

Attached is a copy of the formal presentation made to City Council. Deliberations on this program are anticipated to continue until May 18, the date of the scheduled final vote on the program by City Council. It is likely that this subject matter will be an agenda item at each Council Meeting until that time.

Input and questions from Elgin citizens and taxpayers are welcome – and encouraged.

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City Manager

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2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION

(GENERAL GOVERNMENT, WATER, & SEWER)

2021 REFUNDING BONDS

MARCH 9, 2021

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION

- The total amount of the proposed 2021 Certificates of Obligation and Refunding Bond Issue is currently **\$24,062,118**
- This bond will potentially help fund over **\$42M** in Capital Improvements throughout the City and within all operations

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION

- As proposed, the City could fund **\$9M+** in General Government Capital Improvements through this issuance without increasing the Debt Portion of the City's Property Tax Rate
- Capital Improvements planned for the Water and Wastewater Departments – essentially all of which are required to maintain existing service levels – will require a utility rate increase to all customers
- The entire legislative process for complete and formal authorization to issue Certificates of Obligation will require multiple votes of the City Council at different meetings

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION

- Proposed formal action for tonight's meeting is for the City Council to:
 - a) Determine the list of projects anticipated for funding,**
 - b) Determine the total, not-to-exceed dollar amount of the debt issuance,**
 - c) Direct the publication of the required notice of the City's intent to issues Certificates of Obligation, and**
 - d) Adopt Reimbursement Resolution to be able to reimburse costs expended prior to delivery and funding of the COs.**

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION

	Planned/ Actual Obligations <u>Est. Cost</u>	Projected Funds Available					Total Funds Avail.
		<u>CO 2016 Balance</u>	<u>CO 2019A Balance</u>	NEW 2021 CO	Developer Reimburse- <u>ment</u>	<u>Grants</u>	
General Govt. Fund	14,144,860	-	-	9,530,000	3,743,860	871,000	14,144,860
Water Fund	9,691,959	-	-	4,792,118	-	4,899,841	9,691,959
Sewer Fund	<u>19,014,202</u>	<u>5,550,000</u>	<u>800,000</u>	<u>9,740,000</u>	<u>2,574,202</u>	<u>350,000</u>	<u>19,014,202</u>
Total	42,851,021	5,550,000	800,000	24,062,118	6,318,062	6,120,841	42,851,021

The column on the chart highlighted in yellow shows the amount of the bond allocated for each fund.

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION GENERAL GOVERNMENT

PROJECTS	Planned/ Actual Obligations	Projected Funds Available				
		CO 2016 Balance	NEW 2021 CO	Developer Reimburse- ment	Grants	Total Funds Avail.
General Government						
26 Memorial Park Restroom	160,000	-	160,000	-	-	160,000
Thomas Park Improvements	150,000	-	150,000	-	-	150,000
Phase I - Central Park Improvements	100,000	-	100,000	-	-	100,000
24 Pave Alleyways Downtown	500,000	-	500,000	-	-	500,000
21 County Line Road Widening	6,743,860	-	3,000,000	3,743,860	-	6,743,860
WW Lines/Heritage Lakes Upsize	950,000	-	950,000	-	-	950,000
New City Hall Annex	2,500,000	-	2,500,000	-	-	2,500,000
Add/Renovate Police Dept Bldg. + equipt.	1,950,000	-	1,950,000	-	-	1,950,000
25 Bldg. Renovation - 202 Depot St.	100,000	-	100,000	-	-	100,000
21 Demolish Bldg, - 202A Depot St.	20,000	-	20,000	-	-	20,000
31 Downtown Revital. Sidewalks MLK	575,000	-	75,000	-	500,000	575,000
SRTS Schools - Downtown Connect	396,000	-	25,000	-	371,000	396,000
Total	14,144,860	-	9,530,000	3,743,860	871,000	14,144,860

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION GENERAL GOVERNMENT

<u>Debt Service Payments (FY 2021-22)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Annual Debt Service on Existing Debt *	496,868	265,516	762,384
Annual Capital Lease Payments	103,731	9,193	112,924
Plus Est. Annual DS on new debt**	<u>200,000</u>	<u>333,550</u>	<u>533,550</u>
Total	<u>800,599</u>	<u>608,259</u>	<u>1,408,858</u>

* Net of DS on Refunded Bonds

** FY 2021-22 Year

Impact on Property Tax Rate

Estimated net AV FY 2021-22	651,475,600
Fy 2020-21 Tax Rate (debt portion)	<u>0.228647</u>
Estimated Levy	1,489,579

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION WATER FUND

Proposed 2021 Certificate of Obligation

	Planned/ Actual Obligations <u>Est. Cost</u>	Projected Funds Available					Total <u>Funds Avail.</u>
		CO 2016 <u>Balance</u>	CO 2019A <u>Balance</u>	NEW 2021 CO	Developer Reimburse- <u>ment</u>	Grants	
General Govt. Fund	14,144,860	-	-	9,530,000	3,743,860	871,000	14,144,860
Water Fund	9,691,959	-	-	4,792,118	-	4,899,841	9,691,959
Sewer Fund	<u>19,014,202</u>	<u>5,550,000</u>	<u>800,000</u>	<u>9,740,000</u>	<u>2,574,202</u>	<u>350,000</u>	<u>19,014,202</u>
Total	42,851,021	5,550,000	800,000	24,062,118	6,318,062	6,120,841	42,851,021

The column on the chart highlighted in yellow shows the amount of the bond allocated for each fund.

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION WATER FUND

PROJECTS	Planned/ Actual Obligations	Projected Funds Available			
		NEW 2021 CO	Developer Reimburse- ment	Grants	Total Funds Avail.
<u>Water Fund</u>	<u>Est. Cost</u>				
52 Water Well No. 10	900,000	900,000	-	-	900,000
53 FM1100 Water Main	842,625	842,625	-	-	842,625
Refurbish Water Storage Tanks *	500,000	500,000	-	-	500,000
Weatherize Water Treatment Plant, wells and distribution system.	2,500,000	2,500,000	-	-	2,500,000
56 Pistol Hill Water Tank-Replace	4,949,334	49,493	-	4,899,841	4,949,334
Total- Projects	9,691,959	4,792,118	-	4,899,841	9,691,959

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION WATER FUND

<u>Debt Service Payments (FY 2021-22)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Annual Debt Service on Existing Debt *	610,783	437,803	1,048,586
Annual Capital Lease Payments	27,942	1,778	29,720
Plus Est. Annual DS on new debt**	-	167,724	167,724
	<u>638,725</u>	<u>607,305</u>	<u>1,246,030</u>

Impact on Water Rate

Current Rates Generate	1,092,000
Debt Serv. Requirements FY 2022	<u>1,246,030</u>
Deficit to be made up	(154,030)
Rate Increase per Customer/mo. \$	3.67
Avg Percent Increase	8.1%

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION SEWER FUND

Proposed 2021 Certificate of Obligation

	Planned/ Actual Obligations <u>Est. Cost</u>	Projected Funds Available					Total <u>Funds Avail.</u>
		CO 2016 <u>Balance</u>	CO 2019A <u>Balance</u>	NEW <u>2021 CO</u>	Developer Reimburse- <u>ment</u>	<u>Grants</u>	
General Govt. Fund	14,144,860	-	-	9,530,000	3,743,860	871,000	14,144,860
Water Fund	9,691,959	-	-	4,792,118	-	4,899,841	9,691,959
Sewer Fund	19,014,202	5,550,000	800,000	9,740,000	2,574,202	350,000	19,014,202
Total	42,851,021	5,550,000	800,000	24,062,118	6,318,062	6,120,841	42,851,021

The column on the chart highlighted in yellow shows the amount of the bond allocated for each fund.

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION SEWER FUND

PROJECTS	Planned/ Actual Obligations	Projected Funds Available					Total Funds Avail.
		CO 2016 Balance	CO 2019A Balance	NEW 2021 CO	Developer Reimburse- ment	Grants	
<u>Wastewater Fund</u>	<u>Est. Cost</u>						
30 WWTPlant Expansion-Construct,	15,944,202	5,000,000	800,000	7,570,000	2,574,202	-	15,944,202
20 WW Lines/Lift Station - FM1704	2,300,000	550,000	-	1,750,000	-	-	2,300,000
Elm Creek Lift Station Rehab	350,000	-	-	350,000	-	-	350,000
54 Carver Street Lift Station	420,000	-	-	70,000	-	350,000	420,000
Total	19,014,202	5,550,000	800,000	9,740,000	2,574,202	350,000	19,014,202

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION SEWER FUND

Debt Service Payments (FY 2021-22)	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Annual Debt Service on Existing Debt *	499,732	358,202	857,934
Annual Capital Lease Payments	27,942	1,778	29,720
Plus Est. Annual DS on new debt**	<u>-</u>	<u>340,900</u>	<u>340,900</u>
	527,674	700,880	1,228,554

Impact on Wastewater Rate

Current Rates Generate	1,064,700
Debt Serv. Requirements FY 2022	<u>1,228,554</u>
Deficit to be made up	(163,854)
Rate Increase per Customer/mo. \$	4.48
Avg Percent Increase	9.3%

2021 CITY OF ELGIN REFUNDING BONDS

Currently paying 3.62% to 4.99% interest

Refunding Amounts

Tax Supported

Com Tax Rev CO Series 2007	1	875,000	875,000	-	-	875,000
Com Tax Rev CO Series 2009	3	<u>690,000</u>	<u>690,000</u>	-	-	<u>690,000</u>
		1,565,000	1,565,000			1,565,000

Utility Supported

Com Tax Rev CO Series 2008	1	1,186,350	2,157,000	-	-	2,157,000
Com Tax Rev CO Series 2009	3	<u>380,050</u>	<u>691,000</u>	-	-	<u>691,000</u>
		1,566,400	2,848,000			2,848,000

Total 4,413,000

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION

Date	Action	Responsibility
09-Mar-21	Council Meeting - Adopt Resolution Directing Publication of Notice of Public Hearing on Intention to Issue Certificates of Obligation	CITY, BC
17-Mar-21	Publish Notice of Public Hearing on the Intention to Issue Certificates of Obligation	CITY, BC
25-Mar-21	Distribute 1st Draft POS document for comments	RBCCM
02-Apr-21	RBCCM Receive 1st Draft Comments on Draft POS	All Parties
09-Apr-21	Send Draft POS document and Credit Information to Credit Rating Agencies	CITY, RBCCM
09-Apr-21	Distribute 2nd Draft POS document for comments	RBCCM
22-Apr-21	RBCCM Receive 2nd Draft Comments on Draft POS	All Parties
22-Apr-21	Conference Calls with Credit Rating Agencies	CITY, RBCCM
29-Apr-21	Distribute 3rd Draft POS document for final comments	RBCCM
06-May-21	Due Diligence Call	
07-May-21	RBCCM Receive FINAL Comments on Draft POS	
10-May-21	Receive Ratings	
11-May-21	Distribute POS to Potential Purchasers	
18-May-21	City Council Meeting - Public Hearing re: Intent to Issue Certificates of Obligation	
18-May-21	Final Sales Results Presented - Award COs to Underwriter	
20-May-21	Distribute Draft FOS for Comments	
24-May-21	Receive Comments, Finalize & Distribute FOS	
03-Jun-21	Circulate final closing memo	
10-Jun-21	Closing - Obligations Delivered	

Assuming the issuance moves forward, Council will be scheduled to consider an Ordinance formally authorizing the CO's and the refunding bonds on May 18 (final action)

*Preliminary, subject to change. As of February 25, 2021.

2021 CITY OF ELGIN CERTIFICATES OF OBLIGATION

- Proposed formal action for tonight's meeting is for the City Council to:
 - a) Determine the list of projects anticipated for funding,
 - b) Determine the total, not-to-exceed amount of the debt issuance,
 - c) Direct the publication of the required notice of the City's intent to issues Certificates of Obligation, and
 - d) Adopt Reimbursement Resolution to be able to reimburse costs expended prior to delivery and funding of the COs.

Consider:

1. Establish not-to-exceed amount of \$24,062,118 (*can go down, but not go up*)
2. Determine what projects are supported and which need more discussion
3. Include \$2.5M for Weatherize WTP Project, recognizing details/final cost TBD