

Mayor and Council Communication

DATE: 06/24/25

M&C FILE NUMBER: M&C 25-0572

LOG NAME: 13NOTICE OF INTENTION - SERIES 2025 CO DWSRF LSLR

SUBJECT

(ALL) Adopt Ordinance Directing Publication and Posting of Notice of Intention to Issue Combination Tax and Revenue Certificates of Obligation in an Amount Not to Exceed \$7,000,000.00 for Improvements to the City's Combined Water and Sewer System and Expressing Intent to Reimburse Initial Project Expenditures from Proceeds if Debt is Issued

RECOMMENDATION:

It is recommended that the City Council adopt the attached ordinance, which directs publication and posting of notice of the City's intention to issue Combination Tax and Revenue Certificates of Obligation, in an amount not to exceed \$7,000,000.00 for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with (i) designing, constructing, acquiring, installing and equipping additions, extensions and improvements to the City's combined waterworks and sanitary sewer system (the "System"), including water service lines, and (ii) the payment of fiscal, engineering and legal fees incurred in connection therewith; approves the form of notice; directs notice to be published and posted in accordance with state law; and expresses official intent for the City to reimburse itself from proceeds of the debt sale, if debt is issued, for project-related expenditures incurred prior to issuance.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take preliminary actions in preparation for the authorization and issuance of Certificates of Obligation (C.O.s) for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with (i) designing, constructing, acquiring, installing and equipping additions, extensions and improvements to the City's combined waterworks and sanitary sewer system (the "System"), including water service lines, and (ii) the payment of fiscal, engineering and legal fees incurred in connection therewith.

Under state law the City Council has the authority to issue C.O.s without explicit prior voter approval, provided that notice must be published and posted and the public provided an opportunity to petition for an election to be held. In addition, the City has established financial policies governing the issuance of C.O.s that limit their use to finance public improvements in special circumstances and only after determining the City's ability to assume additional debt. An example of special circumstances is a situation, such as the one posed here, where it would be more economical to issue C.O.s rather than revenue bonds.

The projects qualify for C.O. financing under both state law and City policy.

The City anticipates the debt service of the C.O.s associated with the City's combined water and sewer system project will be self-supporting and entirely repaid from water and sewer revenues. Staff is recommending issuance of combination tax and revenue C.O.s with the City's taxing authority and a pledge of surplus revenues derived from the operation of the combined water and sewer system. These surplus revenues will be available only after all operation and maintenance expenses, as well as debt service, reserve, and other requirements related to any outstanding revenue bonds or obligations payable from the System's net revenues, have been satisfied.

Upon City Council approval, the City Manager shall publish the initial Notice of Intention on June 29, 2025 and will post the notice on the City's website at the same time. The second Notice of Intention will be published on the same day of the week following the first notice.

An ordinance to authorize issuance and delegate authority for the sale of the C.O.s is scheduled to be brought back for Council consideration in September, 2025. The C.O.s are intended to be sold on a competitive basis with closing and delivery of the C.O. funds anticipated to occur in the late summer/early fall timeframe.

In addition to setting the form of notice and directing its publication and posting, adoption of the attached ordinance would also serve as the City Council's adoption of a formal statement of intent to reimburse preliminary costs for the project out of the issuance from the certificates. This aspect of the ordinance does not obligate the City to sell C.O.s, but preserves the ability for the City to reimburse itself for amounts already spent on the project from tax-exempt debt proceeds if it does. This mechanism allows projects to continue forward utilizing other funds until debt proceeds are available. Any expenses incurred against an initial funding source would be repaid out of debt proceeds following issuance, sale, and receipt of proceeds.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of this recommendation will have no material effect on City funds.

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Expedited