

# Mayor and Council Communication

DATE: 06/25/24

M&C FILE NUMBER: M&C 24-0572

LOG NAME: 20SW\_DEBT\_SERVICE\_PAYMENT\_ADJ

## **SUBJECT**

(ALL) Adopt Appropriation Ordinances to Declare Surplus Funds from Interest Earnings in the Stormwater Debt Service Fund by Reallocating Stormwater Transfers from the Stormwater Debt Service Fund to the Stormwater Capital Projects Fund for the Purpose of Funding the 6th Avenue Truelson Channel Project; and Amend the 2024-2028 Capital Improvement Program

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Adopt the attached appropriation ordinance reallocating appropriations in the Transportation & Public Works Department Stormwater Utility Fund, by decreasing appropriations in Transfers & Other category in the Debt Transfer Out-Principal account in the amount of \$4,484,990.33, and increasing appropriations in the Transfers & Other category in the Capital Intrafund Transfer Out account by the same amount for the purpose of funding the 6<sup>th</sup> Avenue Truelson Channel project;
2. Adopt the attached appropriation ordinance in the Stormwater Debt Service Fund by increasing the use of net position generated from prior year interest earnings in the amount of \$4,203,363.33 and reducing the transfer from the Stormwater Utility Fund in the amount of \$4,484,990.33 and contribution to net position in the amount of \$281,627.00;
3. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Stormwater Capital Projects Fund in the amount of \$4,484,990.33, transferred from the Stormwater Utility Fund, for the purpose of funding the 6<sup>th</sup> Avenue Truelson Channel project (City Project No. 103066);
4. Adopt the attached appropriation ordinance adjusting estimated receipts and appropriations in the Stormwater Revenue Bonds Series 2020 Fund by increasing estimated receipts and appropriations in the 6<sup>th</sup> Avenue Truelson Channel project (City Project No.103066) in the amount of \$18,272.50 and decreasing estimated receipts and appropriations in the Total Channel Restoration Bond Programmable project (P00136) by the same amount; and
5. Amend the Fiscal Years 2024-2028 Capital Improvement Program.

## **DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to take actions to declare surplus funds from interest earnings in the Stormwater Debt Service Fund by reallocating Stormwater transfers from the Stormwater Debt Service Fund to the Stormwater Capital Projects Fund for the purpose of funding the 6th Avenue Truelson Channel project (City Project No. 103066).

The City's Stormwater Fund generates interest income by prudently investing idle cash from operations, "pay as you go" capital funds, and bond funds in strict compliance with state law and City policy. The current practice is to allocate interest income from Stormwater enterprise activities to the City's Stormwater Debt Service Fund to offset interest cost associated with outstanding debt issuances and to accumulate cash which can be used to pay off debt prior to maturity to achieve debt service savings. The City has benefited tremendously from the current elevated interest rate environment, resulting in better-than-expected interest earnings due to a dramatic increase in the Federal Funds rate from a range of 0.01% to 0.25% to over 5% in the current year.

As a result, City staff has identified approximately \$4,484,990.33 of excess funds above the minimum reserve requirement in the City's Stormwater Debt Service Fund. Staff recommends for City Council to declare this surplus of interest income receipts in the Stormwater Utility Fund, by reducing current year debt service transfers from the Stormwater Utility Fund to the Stormwater Debt Service Fund. At the same time, authorize the transfer from the Stormwater Utility Fund to the Stormwater Capital Projects Fund, in the same amount, for the purpose of funding the 6th Avenue Truelson Channel project (City Project No. 103066). Project construction is estimated to cost \$5,900,000.00 for the 6th Avenue Truelson Channel project. After the \$4,484,990.33 has been added to the project budget, the remaining funding for construction will come from existing Stormwater Capital Funds.

Going forward, staff will monitor collection of investment income from utility operations to identify any surplus that can be used for other lawful purposes. Given the variable nature of investment income, any surplus may fund one-time initiatives, capital projects, or to accumulate cash which can be used to pay off debt prior to maturity to achieve debt service savings

Approval of a recommendation 4 would adjust appropriations between a programmable project and convert the the 6<sup>th</sup> Avenue Truelson Channel project (City Project No. 103066) into a static capital project. This action is needed as future funding for the 6<sup>th</sup> Avenue Truelson Channel project is anticipated from other sources and the scope of this project differs from that of current programmable project.

Funding for this project was not included in the Fiscal Year 2024-2028 Capital Improvement Program due to funding availability. The action in the M&C will amend the Fiscal Year 2024-2028 Capital Improvement Program as approved in connection with Ordinance 26453-09-2023.

Funding is budgeted in the Stormwater Debt Service Fund for the TPW Dept Highway & Streets Department for the purpose of funding the 6th

Avenue-Truelson Channel project.

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

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**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that funds are currently available in the Stormwater Debt Service Fund and upon approval of the above recommendations and adoption of the attached appropriation ordinances, funds will be available in the Stormwater Capital Projects Fund for the 6th Avenue -Truelson Channel project. Prior to an expenditure being incurred, the Transportation & Public Works Department has the responsibility of verifying the availability of funds.

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Expedited