



Legislation Text

File #: 14-0470, **Version:** 1

A Resolution submitting to the registered qualified electors of the City of Colorado Springs, Colorado, at the General Municipal Election to be held on Tuesday, April 7, 2015, the question of issuing Sales and Use Tax Revenue bonds of the City without raising taxes or imposing a new fee, in the maximum principal amount of \$160,000,000 for the purpose of financing capital improvements; providing for the form of the ballot title and text; providing for certain matters with respect to the election; and, providing the effective date of this resolution

From:

Steve Cox, Chief of Staff/Chief Administrative Officer
Kara Skinner, Chief Financial Officer

Summary:

The City has a backlog of high priority, unfunded capital improvement project (CIP) needs - neighborhood streets, parks, public safety, and stormwater projects. While there are dedicated revenue sources such as the Pikes Peak Regional Transportation Authority (PPRTA) approved in 2004, the Public Safety Sales Tax (PSST) approved in 2001, and the Trails, Open Space and Parks (TOPS) tax approved in 1997, those funds are dedicated to specific uses per the authorizing ballot issues and do not address all long-term transportation, public safety, parks, and stormwater needs.

The City has invested funds in stormwater projects, first with the Stormwater Enterprise, and since the dissolution of the enterprise, with increasing General Fund dollars and aggressively seeking grant funding opportunities. The City has budgeted more than \$73 million for stormwater activities from 2012 through 2015. This CIP plan carries forward beyond 2015 annual stormwater spending along with improvements in neighborhood streets, public safety facilities and parks infrastructure.

The attached Resolution would place an item on the April Municipal Election ballot asking for voter approval to issue up to \$160 million in Sales and Use Tax Revenue bonds. This bonding proposal will allow the City to accelerate spending on key capital improvement projects, including stormwater projects. Bond proceeds will provide funding of approximately \$145 million to complete over 70 capital improvement projects prioritized by professional staff, which includes \$75 million in neighborhood streets, \$40 million for stormwater, \$20 million for public safety, and \$10 million in parks. The balance of the proceeds would provide for a bond reserve fund and the costs of issuance. The projects identified are capital projects, not maintenance, and the project list satisfies stringent useful life requirements established by the Internal Revenue Service (IRS) for tax-exempt bonds.

The Executive Branch sees this as an intermediate, half decade action plan to get us moving on high priority, backlogged CIP in all four function areas. The plan includes outsourcing projects to the private sector with local vendors receiving preference where practical to generate new jobs and help get our economy going. The hope is that our economy will improve sufficiently over the next half

decade to provide additional cash flow which can be used as follow on to the 5-year accelerated action plan. If that new revenue is not sufficient, we can then ask the voters to consider additional funding.

The City can issue the proposed bonds, accelerate the projects from what could be accomplished on a pay-as-you-go basis, outsource all the projects to the private sector - injecting money into the local economy and creating private sector jobs, and service the debt with current revenue sources - no new taxes or fees.

In sum, this is a holistic approach to addressing the City's most critical infrastructure needs, including stormwater, within existing revenue sources.

Previous Council Action:

N/A

Background:

During 2013 and 2014, the City completed two significant undertakings to identify unfunded capital project needs. The City contracted with CH2MHill to conduct what is known as the "Stormwater Needs and Prioritization Study" or the SNAP study. CH2MHill identified over \$137.7 million in high priority needs. The City also convened a committee to review and prioritize other capital improvement needs. The committee was comprised of City staff and community members. As a result, nearly \$1.3 billion of high-priority, ten-year unfunded needs have been identified.

El Paso County placed Issue 1B on the November 4, 2014 ballot that would have created a Regional Drainage Authority to address regional stormwater needs through collection of a fee. This ballot issue was rejected by the voters.

At the November 24, 2014 City Council Work Session, staff presented the Executive Branch's proposal to request voter approval to issued up to \$160 million in Sales and Use Tax Revenue Bonds to address City high priority backlogged capital improvements. Since, the Chief of Staff, Chief of Police and Chief Financial Officer met with the majority of Council members to answer questions or concerns regarding the proposal.

With input, the proposed list of project has been modified slightly since the November 24 Work Session. Attached as Attachment C is the new list and a redlined version of the list which shows changes since Noveber 24.

Financial Implications:

Based upon an analysis by the City's financial advisor, Jill Jaworski, Public Financial Management (PFM), the City could issue Sales and Use Tax Revenue Bonds in the amount of approximately \$157 million. With the \$157 million in proceeds, approximately \$11 million will be for a required debt service reserve fund, \$1 million for cost of issuance and \$145 million would be available for the project fund. We propose issuing a bond series with 20 year final maturity. The debt service payments would be structured so that total debt service on the new debt and the remaining two Springs Community Improvement Program (SCIP) would not exceed approximately \$11 million per year (see Attachment A). The true interest cost assumed in the analysis is 3.308%, with yields ranging from 0.37% for first year maturity to 3.34% for final year maturity (see Attachment B). While the final maturity is proposed to be 20 years, the average life of the bonds would be 12.73 years. The

annual bond payments would be approximately \$11 million and can be funded through existing revenue sources. The City's financial advisor, Public Financial Management, will provide an updated market analysis based upon current interest rates at the January 12 worksession. The actual debt service schedule will be determined at pricing, if the City receives voter approval to issue the debt and City Council approval of the bond ordinance(s).

With the SCIP bonds retiring in 2015 and 2016, the cash flow currently dedicated to those debt service payments can be repurposed to the proposed bond debt service payments. In addition, the City can dedicate approximately \$3 million from its current General Fund CIP budget to the annual bond payments. That would leave at least \$8.1 million in the General Fund CIP budget for other pay-as-you-go CIP projects and emergency projects, which is \$2.6 million more than what was budgeted in 2011. The actual debt service schedule will be determined at pricing, if the City receives voter approval to issue the debt and City Council approval of the bond ordinance(s).

Board/Commission Recommendation:

N/A

Stakeholder Process:

The Mayor held seven community forums across the City and will hold another forum on January 15. Attachment C provides the current proposed project list followed by a redlined list that shows the difference from the list provided to City Council at the November 24th Worksession. Attachment D provides a summary of input or questions from citizens as compiled by City staff that were present at the forums. There was extensive stakeholder input into developing and vetting the high-priority capital improvement project lists, including the SNAP list.

Alternatives:

City Council could not approve the attached resolution or City Council could modify and then approve the attached resolution.

Proposed Motion:

Move approval of the Resolution submitting to the registered qualified electors of the City of Colorado Springs, Colorado, at the General Municipal Election to be held on Tuesday, April 7, 2015, the question of issuing sales and use tax revenue bonds of the City without raising taxes or imposing a new fee, in the maximum principal amount of \$160,000,000 for the purpose of financing capital improvements; providing for the form of the ballot title and text; providing for certain matters with respect to the election; and, providing the effective date of this resolution

N/A