



# City of Keller

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## Legislation Text

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**File #:** 16-341, **Version:** 1

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**To:** Mark R. Hafner, City Manager

**From:** Aaron Rector, Director of Finance

**Subject:**

**Consideration and action regarding a resolution directing publication of notice of the City's intention to issue combination tax and revenue certificates of obligation to provide funds for water and sewer system improvements, street improvements, fire station improvements and related issuance costs.**

**Action**

**Requested:**

Consider action regarding a resolution directing publication of notice of the City's intention to issue combination tax and revenue certificates of obligation to provide funds for water and sewer improvements, street improvements, fire station improvements, and for related issuance costs.

**Background:**

The certificate of obligations issuance would be for an amount not to exceed \$9,850,000 would be used to fund the following projects:

Water and Sewer Improvements - \$4,500,000

Alta Vista Transmission Main - \$1,630,000

Alta Vista Pump Station - \$1,630,000

Fort Worth 48" Transmission Line - \$1,240,000

Street Improvements - \$2,422,979

Keller Hicks Street Improvements / Quiet Zones - \$1,927,159

Mt. Gilead and US 377 Intersection Improvements - \$495,820

Fire Station Improvements - \$2,671,754

Fire Station 2 & 3 Rehabilitation and Remote Bays - \$2,671,754

Related Issuance Costs - \$255,267

The Water and Sewer Improvements funding is partial funding for the Alta Vista Transmission Main and Pump Station projects and full funding for the Fort Worth 48" Transmission Line with all three being funded thru a combination of bond proceeds and water impact fees, if available. The total estimated cost for the Alta Vista Transmission Main is \$7,730,000, for the Alta Vista Pump Station is \$7,270,000 and for the Fort Worth 48" Transmission Line is \$1,240,000 for is a combined project total of \$16,240,000. Water impact fees of \$3,992,200 have been committed to the Alta Vista

Transmission Main and \$778,505 to the Alta Vista Pump Station for a combined project total of \$4,770,705. While the impact fees have been committed, they are subject to availability and if not available, the difference would require an additional funding source. The proposed debt issuance and impact fees total \$9,270,705 in funding sources and provides 57.0% of the required funding for the project. The projects are anticipated to take 18-24 months and therefore, another debt issuance will be required in one to two fiscal years to fund the remaining project costs. Staff is working with the financial advisors to layer the proposed debt issuances to take advantage of the current debt falling off. The COs for these projects will be issued between twenty year and thirty year debt obligations depending on the annual impact to the Water and Wastewater fund. The anticipated asset life of the projects is anticipated to be at least thirty years which complies with the City's financial policy requirement that debt obligations not exceed the asset life. However, the proposed debt issuance does not meet the City's financial policy preference not to exceed fifteen years unless the asset life exceeds fifty years. In order to minimize the impact of annual debt requirements on the water rates, the debt service should be extended beyond the preferred fifteen years but not exceed the asset life.

The Street Improvements and Fire Station Improvements projects were included in the FY 2016-17 Capital Improvement Plan and the estimated annual debt requirements were included in the debt service budget. The projects are anticipated to be funded completely thru the proposed debt issuance, thus no additional funding sources or issuances are anticipated for the projects. The COs for these projects will be issued as a seven year debt obligations which is below the City's financial policy preference of not exceeding fifteen years on debt obligations with an asset life less than fifty years.

The City is required to publish notice of its intent to issue certificate of obligations (CO's). The notice must be published twice in consecutive weeks, with the date of the first publication being at least 30 days prior to the scheduled date of adoption of the ordinance authorizing issuance of the CO's. If a petition protesting the issuance of the CO's is signed by 5% of the registered voters of the City prior to the adoption of the ordinance and issuance of the CO's, the City may not proceed with the CO issuance, unless the CO's are authorized in an election.

### **Budget Impact:**

FY 2016-17 budget included an estimated annual payment for the fire station and street improvements.

### **Financial Considerations:**

The fire station improvements and street improvements will be supported thru the debt portion of the City's property tax and an estimated annual bond payment cost was included in the FY 2016-17 budget.

The water and sewer improvements will be supported thru the water and sewer revenue. The current rate structure was not calculated to include the proposed projects and rates may require adjustments to cover the related annual bond payment costs.

### **Citizen Input/**

**Board Review:**

Not Applicable

**Legal Review:**

Bond counsel has prepared the notice of intent resolution.

**Alternatives:**

City Council has the following alternatives:

- Approve as submitted
- Approve with changes
- Denial

**Council Action:**

Consider action regarding a resolution directing publication of notice of the City's intention to issue combination tax and revenue certificates of obligation to provide funds for water and sewer improvements, street improvements, fire station improvements, and for related issuance costs.