# Legislation Text

**File #:** 2018-2395, **Version:** 1

*Presentation regarding the City's capacity for debt issuance.*

Key Issues:

City officials have attempted to maintain a consistent tax levy for debt service since the late 1990s. It is currently $0.4697 per $100.00 assessed valuation. The residents and the City benefit from the level maintenance of the tax levy through the avoidance of expensive tax elections, stability of tax revenues for support of infrastructure improvements, and stable tax bills for residents. The City plans to continue coordinating its funding needs and debt issuance to correspond with that tax levy cap.

In order to maintain a level tax levy for debt service for Calendar Year 2020 and after, it is necessary to place a ballot issue before the voters in 2019. We need to increase debt service requirements by at least approximately $1.3 million based on a 3% annual increase in assessed valuation for Calendar Year 2020 alone to maintain the current debt service levy. The amount of debt service obligation required to maintain our current debt service levy is, in large part, based on changes in our assessed valuation. The examples below show the significant impact that changes in assessed valuation have on our debt service. As you can see, the decision on the size of debt obligation to issue is a moving target. It is also impacted by changes in interest rates. Further, we do not typically receive our final assessed valuation from Jackson and Cass Counties until late September so we have a narrow window of time from October 1 to December 31 to respond and issue bonds in the event of a large unexpected increase.

3% increase in assessed valuation for 2019, 2020, 2021=$1.3 million for 2020, $10.3 million cumulative spend through 2022
5% increase in assessed valuation for 2019, 2020, 2021=$1.7 million for 2020, $12.1 million cumulative spend through 2022
7% increase in assessed valuation for 2019, 2020, 2021=$2.1 million for 2020, $14 million cumulative spend through 2022

To make our debt levy target manageable, the ballot issue should include authorization for bond issuance large enough to provide accommodation for unpredictable changes in assessed valuation and interest rates. Once we have authorization from the voters, we can manage our financing needs and the structure of each bond issue to match up our debt service requirements to the levy thereby avoiding large swings in our debt service levy.

Staff has prepared estimates for some of the recently discussed projects as follows:

Two fire stations and equipment $12 to $15 million
Police Department renovation $3 to $5 million
Performance Space and Farmers Market additional funding $8 to $10 million

Voter approval of an amount in the range of $23  to $30 million should meet the financing needs for these projects and allow the flexibility needed to maintain the debt levy.

Background:
Since 1980, the City's Debt Service tax levy has ranged from a low of $0.32 per $100.00 assessed valuation in 1988 and 1989 to a high of $0.71 in 1985.  There were only five years since 1980 that the debt levy has been lower than the current level of $0.4697.  The current level has been maintained since 2007.

Bette Wordelman, Finance Director

Committee Recommendation: Informational only.  No action necessary.