



## 2018 BOND DEVELOPMENT QUESTION

### *Response to Request for Information*

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**DEPARTMENT:** PARD

**REQUEST NO.:** 08

**REQUESTED BY:** Kitchen

**DATE REQUESTED:** 06/14/18

**DATE POSTED:** 6/18/18

**REQUEST:** Would the proposed needs for the Dougherty qualify for funding from COs? Please provide detail.

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#### **RESPONSE:**

To the extent that the proposed needs for the Dougherty are solely to purchase a new site and build the same general park facility as is currently operated, state law authorizes this as an lawful use of Certificates of Obligation (COs). If the project changes, such as becomes an economic development project, general obligation bonds would be the appropriate funding source.

From a City policy perspective, the approved financial policies that Council adopts with the City Budget for General Obligation Debt (both voter-approved property tax backed debt and non-voter-approved property tax backed debt) includes the following:

It is the City's priority to fund capital expenditures with cash or voter-approved debt. However, non-voter-approved debt may be used for capital expenditures as an alternative to lease/purchase or other financing options if the capital expenditure is:

- Urgent;
- Unanticipated;
- Necessary to prevent an economic loss to the City;
- Results in an economic gain to the City within a reasonable time; or
- Non-voter approved debt is the most cost effective financing option available.

In regards to Dougherty, Council has not made a finding that the need meets the policy. Therefore, at this time, staff recommends use of general obligation bonds as the best financing source for these needs.

Please note that, in regards to the other prospective Fiscal Year 2018 Bond projects, the application of this policy largely hinges on the definition of "urgent." Thus, for example, the fire stations were found by council to be an urgent public safety need by the Austin Fire Department and Finance staff therefore recommended the use of Certificates of Obligation.

