



2018 BOND DEVELOPMENT QUESTION

Response to Request for Information

DEPARTMENT: Finance

REQUEST NO.: 24

REQUESTED BY: Alter

DATE REQUESTED: 06/21/18

DATE POSTED: 06/21/18

REQUEST: Please provide an update on the city bonding capacity at a tax increase of one cent and two cents? Does staff believe the city bonding capacity has increased beyond the previous forecasts shared with council? Please explain the new assumptions for any changes from previous projections provided to Council. Please also explain what certificates of obligation capacity is being reserved for annual spending needs outside of the bonding capacity numbers being provided.

RESPONSE:

Staff released a memo to Mayor and Council on June 26th, 2018 in response to questions received following the May 8th, 2018 staff briefing on bonding capacity.

Given the complexity and potential size of the bond package, staff has adjusted the bond sale term from 5 years to 6 years, corresponding with a total bond cycle term of 6 and 7 years, respectively. As shown in the chart below, this change provides an estimated bond capacity of \$925 with a 2-cent tax rate increase. This adjusted capacity below is also net of the effect of the decision to fund new fire stations with certificates of obligation (COs).

Tax Rate Impact	2018 Election: New Capacity, as per May 8, 2018	2018 Election: Estimated Capacity, adjusted for revised of bond sale term/timing
Constant	\$375 million	\$425 million
+ 1-cent	\$625 million	\$675 million
+ 2-cents	\$875 million	\$925 million

Consistent with our conservative forecasting practice, all other assumptions used in the May 2018 analysis remain the same.

In terms of the tax bill, the previous estimates also remain the same. If, for example, a 2-cent tax increase occurred all in the current year for a \$300,000 house, the impact would be \$60 per year, or \$5.00 per month.

