



## Legislation Text

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Increasing the portion of the City property tax rate dedicated to debt service in FY 17/18 budget to adequately fund current and future debt service obligations resulting from successful bond referenda in 2008, 2009 and 2016

Department: Finance  
Council District: All

Public Hearing: n/a  
Advertising Date/By: n/a

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### **PURPOSE:**

City Council is being asked to consider an option to increase the amount of annual property tax revenue dedicated to servicing City bond debt in FY 17/18 to adequately fund current and fund debt service obligations resulting from successful bond referenda in 2008, 2009 and 2016. The portion of the tax rate dedicated to debt service is estimated to increase from 8.0 cents to 9.75 cents. This projection is subject to change based on changes in property valuation, additional revenue growth from other sources and other economic factors.

This increase in revenue will allow the City to adequately fund and service debt on all current and future general obligation bond issuances needed to advance remaining bond project and programs from 2008, 2009, and 2016 (see attached bond list). Without the recommended increase in revenue or efforts to address revenue needs via other options and future action of Council, the attached list of bond projects will be subject to Council re-prioritization and schedule changes due to debt service revenue shortfalls and needs.

### **BACKGROUND:**

In December of 2016, City Council adopted a resolution declaring results of referendum and the City gave public notice of the results. At the February 2017 Priority Setting Session of City Council, staff provided a schedule for projects associated with bonds as well as preliminary options for debt service funding that described necessary increases in funding for debt service starting in FY 18/19. One of the options was a one-time increase of 2.5 cents in the tax rate dedicated to debt service.

### **BUDGET IMPACT:**

During the April 4, 2017 work session and council meeting, Council requested an additional opportunity to discuss debt financing and hear public comment regarding any potential tax rate implication. Increasing the debt service fund tax rate allocation by 1.75 cents, from 8.0 cents to 9.75 cents, in FY 17/18, would allow the City to start funding the debt service increase needed sooner, resulting in a lower tax rate impact.

**RECOMMENDATION / ACTION REQUESTED:**

It is requested that City Council consider providing direction to the City Manager to include an increase in the portion of the tax rate dedicated to debt service from 8.0 cents to 9.75 cents projected as part of his recommended FY 17/18 budget.