



Takoma Park City Council Meeting – November 9, 2016 Agenda Item 3

Work Session

Discussion of Options for Bonding

Recommended Council Action

Hear information presented on options for bonding for major infrastructure projects; identify additional information desired in advance of FY18 budget discussions.

Context with Key Issues

The Fiscal Year 2017 budget identified the possibility of bonding as an affordable way of paying the City's match for the Ethan Allen and Flower Avenue Green Street project grants, for the Library Renovation project and for future improvements to the Police Department. The adopted budget assumes the City will bond for the approximately \$2 million for the two street projects in FY18. Major renovations to the Library and Police Department will also require borrowing of funds.

Borrowing money ("bonding") to pay for an expensive project over an extended period of time is an essential budgeting tool. Bonding helps minimize large fluctuations in expenditures from year to year, which can reduce the need for large fluctuations in tax rates. Bonding also allows for those who benefit from the facilities over the years to help pay the costs of them.

There are constraints in the City Charter concerning bonding and indebtedness:

- Any proposed new indebtedness greater than 5% of that year's revenue shall be subject to a public hearing
- Strive to maintain average maturity of general obligation bonds at or below 20 years
- Strive to maintain net tax-supported debt at a level not to exceed 1% of the assessed valuation of taxable property in the City (1% is about \$20 million)
- Strive to maintain annual tax-supported debt service costs at a level less than 15% of the combined expenditure budgets of the General and Special Revenue Funds (15% is about \$4.5 million)

Things to consider when bonding are the amount to be borrowed and the terms: number of years, interest rate and type, constraints on refinancing or early pay off, etc.

Staff will present information on bonding options to gauge Council preferences and to learn if additional information is needed.

Council Priority

Fiscally Sustainable Government

Environmental Impact of Action

N/A

Fiscal Impact of Action

N/A

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Attachments and Links

- none