



## CITY COUNCIL WORK SESSION AGENDA

*Our Vision: A well-planned lakeside community of quality neighborhoods, distinctive amenities, diverse employment, and cultural charm. Rowlett: THE place to live, work and play.*

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**Monday, February 5, 2024**

**6:00 P.M.**

**Municipal Building – 4000 Main**

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As authorized by Section 551.071 of the Texas Government Code, this meeting may be convened into closed Executive Session for the purpose of seeking confidential legal advice from the City Attorney on any agenda item herein.

The City of Rowlett reserves the right to reconvene, recess or realign the Work Session or called Executive Session or order of business at any time prior to adjournment.

**Process for Public Input:** If you are not able to attend in person, you may complete the [Public Input Form](#) on the City's website by 3:30 p.m. the day of the meeting. All forms will be forwarded to the City Council prior to the start of the meeting.

**For in-person comments, registration forms/instructions are available outside the door of the City Hall Conference Room.**

- 1. CALL TO ORDER**
- 2. CITIZENS INPUT**
- 3. WORK SESSION**

City Council will deliberate on and may receive public input on the following items:

- 3A.** Discussion of Debt Management Strategy Implementation and Ballot Propositions in support of recommendations from the Capital Improvement Program Task Force. (30 minutes)

- 4. DISCUSS CONSENT AGENDA ITEMS FOR FEBRUARY 6, 2024 CITY COUNCIL MEETING.**

**TAKE ANY NECESSARY OR APPROPRIATE ACTION ON CLOSED/EXECUTIVE SESSION MATTERS**

- 5. ADJOURNMENT**

*Evette Whitehead*

Evette Whitehead, City Secretary

I certify that the above notice of meeting was posted on the bulletin boards located inside and outside the doors of the Municipal Center, 4000 Main Street, Rowlett, Texas, as well as on the City's website ([www.rowlett.com](http://www.rowlett.com)) on the 2<sup>nd</sup> day of February 2024, by 5:30 p.m.

***City of Rowlett City Council meetings are available to all persons regardless of disability. If you require special assistance, contact the City Secretary at 972-412-6115 or write 4000 Main St., Rowlett, Texas, 75088, at least 48 hours in advance of meeting.***

***City of Rowlett ~ 4000 Main Street, Rowlett TX 75088 ~ [www.rowlett.com](http://www.rowlett.com)***



## CITY OF ROWLETT COUNCIL AGENDA ITEM

**AGENDA DATE:** 2-5-2024

**AGENDA ITEM:** 3A

### **TITLE**

Discussion of Debt Management Strategy Implementation and Ballot Propositions in support of recommendations from the Capital Improvement Program Task Force. (30 minutes)


### **STAFF REPRESENTATIVE**

Kristoff Bauer, Assistant City Manager  
Rebecca Diviney, Assistant City Manager

### **EXECUTIVE SUMMARY**

Staff will present actions necessary to implement debt management strategies previously discussed with Council and seek direction regarding the composition of debt authorization ballot questions to be placed before Rowlett voters.

### **STRATEGIC PRIORITY AND GOAL(S)**

Strategic Priority	Strategic Goal
 <b>INVEST IN TRANSPORTATION &amp; INFRASTRUCTURE</b>	6.1 Systematically manage the Capital Improvement Program.

### **BACKGROUND INFORMATION**

The City's general fund operations are primarily supported by property taxes which are highly regulated by state law and consist of two components: Maintenance and Operations ("M&O") and Interest and Sinking ("I&S"). The purpose of the I&S rate is to support the repayment of outstanding debt, but the City has a practice of utilizing revenue from the M&O rate to pay short term debt. The City has utilized the I&S to support the repayment of long-term debt incurred in support of the City's Capital Improvement Program ("CIP").

Since 2015, the City has engaged in a 3-year bond election cycle to fund capital projects. Chosen capital projects are ultimately funded with a public offering of bonds – which are then repaid with the City's I&S. In August 2023, Finance shared that the City's debt capacity for the 2024 Bond Election was \$63 million. Capacity in each Bond Election cycle is determined by i) the then current Taxable Assessed Values, ii) an estimated growth rate of Taxable Assessed Values, iii) market conditions at the time of issuance, iv) the City's outstanding debt, and v) a targeted I&S Tax Rate. The City's CIP Task Force, which is comprised of residents and advised by staff, selects capital projects for each proposed 3-year Bond Election cycle.

During the January 25<sup>th</sup> Council Work Session, staff presented a number of debt management strategies, including the utilization of Certificate of Obligation (CO's) and other debt instruments, that could provide more flexibility within the portion of the City's budget supported by the M&O rate, improve the City's ability to manage its debt portfolio to achieve a consistent target I&S rate, and increase current debt capacity by approximately \$17 million to a total of \$80 million. The City's CIP Task Force ("CIPTF") presented their recommended proposal of the projects to be included in and supported by debt authorization ballot measures totaling \$63 million.

Council expressed an interest in considering increasing the value of the debt authorization ballot measures by \$10 million to a total of \$73 million. Councilmembers were invited to submit candidate projects to staff by close of business Monday, January 29<sup>th</sup>.

## DISCUSSION

Staff is seeking feedback on three issues:

- Potential revisions in financing practices for capital expenditures currently financed through leases and other short-term debt,
- Implementation of debt management strategies, and,
- The specific projects to be included in the FY2024 GO Bond authorization ballot measures.

### Financing of General Fund Capital

For the discussion on January 25<sup>th</sup>, staff identified approximately \$14 million in planned capital purchases currently supported by the City's M&O rate that are eligible to be transitioned to the City's I&S rate by using other debt instruments like CO's. The discussion focused on a partial transition of approximately half of that expenditure over the next few years. A three-year plan to implement this transition would include:

FY 24:

Fire EMS Equipment – Stryker	\$1.5 million
<b>Fire Light &amp; Air Truck – SVI</b>	<b>\$0.6 million</b>
Fire Breathing Apparatus – Scott	\$0.9 million

FY 25:

<b>Fire Ladder Truck – Spartan</b>	<b>\$2.2 million</b>
Fire Medic 1 Replacement	\$0.4 million

FY 26:

Fire Pumper Truck (Engine 3 Replacement)	\$1.5 million
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The City Council has already approved the purchase of the two fire vehicles in bold above. The Council will not see those purchases again. The purchase price is due when vehicles are delivered. Under the proposed revised process, the City will pay that purchase price with cash and then include debt to cover that cost in a debt issuance proposal presented to Council for consideration toward the end of the fiscal year.

The other four purchases have not been considered by Council yet. Staff will bring those proposed purchases forward for consideration in the future and if approved the same financing steps will be followed; that is, cash payment to the vendor upon delivery and financing packaged with other debt and presented to Council at a later date.

This allows the debt to be packaged and managed with other items of the City's debt portfolio as will be discussed in more detail in the next section. The fact that these purchases are financed with debt is not new. The change is to utilize CO's and include that issuance of debt with other debt instruments presented to Council for approval.

### Debt Management Strategies:

The City currently has one debt issuance planned. The second tranche of GO debt authorized in 2023 for the public safety and animal shelter buildings and improvements to Herfurth Park has

been scheduled for issuance in May. The proposal is to move the issuance to August. This will provide a number of benefits. It will allow debt to support purchases, such as those discussed above, to be included in the issuance. The outcome of any GO's debt authorization vote will be known. The City should receive its updated property valuation by that time supporting an accurate calculation of the impact of the proposed debt on the City's I&S rate. It is also a favorable time of year to issue debt due to a correspondence with debt repayment schedules that provide investors with available cash that is in need of being reinvested. These factors will provide Council and the community with additional information during the consideration of annual debt issuance and support the efficient and cost-effective use of debt.

These process changes will also allow the use of both short- and long-term debt instruments to develop a debt portfolio supportive of achieving the City's goals. As discussed on January 25<sup>th</sup>, the proposal is to include a combination of CO's with terms of seven to ten years and GO debt with terms of 20 to 30 years and, potentially, variable principal. Managing the debt portfolio in this manner releases current debt capacity sufficient to include the purchases identified above and to make an additional \$10 million available for consideration during the proposed CIPTF ballot measure while also maintaining a target I&S rate.

#### **CIPTF Proposed Ballot Measure:**

The CIP Task Force ("CIPTF") prepared a recommended package of projects allocating the \$63 million in debt capacity previously identified. Council's review of those recommendations led to a single proposed revision; the reallocation of road maintenance funding from Schrade Rd. to Liberty Grove Rd. Council also discussed developing options for additional projects or allocations to existing projects taking advantage of the additional \$10 million in CIP debt capacity discussed above. The table below lists the project identified. Staff has not had an opportunity to develop cost estimates for each of these projects and recommends that Council prioritize them. If Council approves including these items in the proposed ballot measures and the community supports them, then staff will work to complete the projects consistent with Council's prioritization.

<u>City Council Member</u>	<u>Project Proposed</u>	<u>Cost Estimate</u>	<u>Proposed Bond</u>	<u>City Council Priority Ranking</u>
Mayor Margolis	Asphalt Road Maintenance Fund	\$3,000,000	Streets, Alleys and Related Projects	
Mayor Margolis	Downtown Enhancement Fund - power installation in green installation of artwork, improvement monument signage, overhead string lighting above Main Street	\$1,500,000	Streets, Alleys and Related Projects	
Mayor Margolis	Decorative LED Streetlights for Lakeview Pkwy	\$3,000,000	Streets, Alleys and Related Projects	
Mayor Margolis	City Thoroughfare Landscape and Lighting Enhancements	\$1,000,000	Parks and Recreation	
Mayor Margolis	Traffic Signal Installation for Liberty Grove and President George Bush Tollway	\$900,000	Streets, Alleys and Related Projects	

Mayor Margolis	Automatic Flood Gates - 3 locations	\$300,000	Streets, Alleys and Related Projects	
Mayor Margolis/Deputy Mayor Pro Tem Winget	Lakefront at Pecan Grove Phase 1 - funding gap to complete the portions of the project that were excluded	\$400,000	Parks and Recreation	
Deputy Mayor Pro Tem Winget	Twinstar Park Basketball Goal		Parks and Recreation	
Deputy Mayor Pro Tem Winget	Waterview Golf Course Improvements - funds to construct items City is responsible for like clubhouse and sprinkler system		Parks and Recreation	
Deputy Mayor Pro Tem Winget	Senior Center		Parks and Recreation	
Council Member Schupp	Trail Construction, Parking Lot - Nature Preserve	\$250,000	Parks and Recreation	
Council Member Bowers	Boat Ramp on East Side		Parks and Recreation	
Council Member Bowers	Improvements Rowlett Community Center	\$500,000	Parks and Recreation	

#### **FINANCIAL/BUDGET IMPLICATIONS**

The move away from capital leases to the issuance of CO's will initially reduce planned General Fund expenditures by approximately \$2 million over the next three years, consisting of \$370 thousand in FY24, \$735 thousand in FY25, and \$975 thousand in FY26. In FY25 and moving forward, the overall General Fund impact will begin to be neutralized as the debt issued in FY24 enters repayment. The obligation, however, will have moved to the City's I&S rate, making \$2 million or greater M&O funding available to address ongoing operational costs over the three-year period.

#### **RECOMMENDED ACTION**

Staff is seeking Council reaction and questions regarding the proposed changes in financial management of the City's processes for acquiring capital assets.

#### **ATTACHMENTS**

None