

MINUTES OF SPECIAL  
CITY COUNCIL MEETING HELD  
NOVEMBER 17, 2021

The City Council of Olmos Park, Texas held a special meeting on November 17, 2021 commencing at 5:00 p.m. in the Council Chambers at City Hall. Mayor Ronald Hornberger presided and Council members present were Juliana Dusek, Erin Harrison, Kenyon McDonald, Sharon Plant and Deanna Rickabaugh. Staff present was City Manager, Celia DeLeon; and City Secretary, Kyndra Munoz. Also present was Financial Advisor, Christopher Allison.

Mayor Hornberger called the meeting to order at 5:00 p.m. and determined a quorum was present.

Citizens to be heard: This time is provided for citizens to address the Council on issues and concerns. No action can or will be taken on issues raised under this portion of the meeting. Please state your name and address for the record and limit your remarks to a period not to exceed three minutes.

There were no citizens to be heard.

Discussion and possible action regarding financing or bond issuance options for costs of potential storm sewer, sanitary sewer, and street projects.

Financial Advisor, Christopher Allison stated I have included a short presentation in your packet that covers a very broad, high level explanation to start the conversation. I can answer any specific questions you might have. Street replacements and sewer projects are appropriate for a bond issue, but street repairs will need to be paid out of your annual M&O tax. The City is fortunate that in February of next year, the City will be debt free.

Councilwoman Dusek joined the meeting at 5:03 p.m.

Councilwoman Rickabaugh asked would you generally recommend a long-term financing source associated with a long-life asset and would this be good practice?

Christopher Allison stated correct, this is good practice. You might consider, being debt free is a great position, but it might be a time to lock in long term money with rates at a historical low. The first option is the City of Olmos Park can issue tax notes where you do not need voter approval for the notes. The only State limitation on these notes, is they are limited to a 7-year term. The second option is certificates of obligation. With the certificates of obligation, you control the timing of when you issue debt and you are not stuck with May or November election dates. If you have an essential service project, a certificate of obligation is unlikely to be protested by residents. In the 18 years as the Financial Advisor, I have only done 2 bond issues for the City of Olmos Park. In 2002, we did a \$6.5 million certificate of obligation for lining the sewer. In 2010 we refunded that original bond and refinanced at a lower interest rate for savings. In terms of capital projects, the City of Olmos Park has only had one bond issue in the last 20 years. The third option is a general obligation bond requires a bond election. The citizens get choose and vote yes or no on the bond issue. You cannot control the timing on a general obligation bond and the State mandates a May or November election.

Mayor Hornberger asked if the general obligation is funded, how long does the City have to use the funds for the purpose intended.

Christopher Allison stated whether it is certificates of obligation or general obligation bonds, there is a calculation where you are supposed to spend 70% of the proceeds within the first 3 years to meet IRS guidelines and is not intended for the City to issue sit and on the money.

Councilwoman Harrison asked when we are discussing roads and sewers that could be a 15-year project; we would not be able to spend the entire amount within the first 3 years, how would this come into play? We would need to issue another bond for the next section of the project and each time, this will keep compounding and effect our tax rate.

Christopher Allison stated the biggest thing would be communication between Council, staff, engineering and the Financial Advisor. Right now, you can issue \$8 million in debt and basically keep the same I&S tax rate. For a brief period, you are compounding, but you also have an annual amount on your M&O tax rate that you are spending on these same repairs.

Mayor Hornberger stated for example, if the Council decides it is prudent to start replacing all of the sewers and in order to do that, it will cost \$35 million. Our task, in which we will need your help along with David Givler's help to counsel us and plan both the execution and financing of the project in such a way that we can always afford to pay the ongoing expenditure for the project.

Christopher Allison stated those conversations have not taken place yet. I wanted to make sure everyone knows the options of how you can pursue it, then you can decide whether you even want to entertain that.

Councilwoman Plant asked can you explain how much taxes will go up each time this is done?

Councilwoman Rickabaugh stated in theory, we won't have to raise taxes because we are about to pay off the debt. The tax rate is composed of the M&O and the I&S. In February, this will be the last I&S you will collect until you issue new debt, is that correct? Will the tax rate be pro-rated after this?

Christopher Allison stated that is correct. If no bonds are issued the following year, the tax rate would drop from 40 cents down to 36 cents.

Councilwoman Harrison stated if we can't possibly borrow these large amounts because we can't get the project done in 3 years, why wouldn't we look at tax notes? Based on project speed since I have been on Council, the contracts seem to move very slowly. Is a tax note held to that 3-year window?

Christopher Allison stated yes, the spending is the same as an issue. If you are financing a sewer system and can lock in 1.88% over a long period of time, to me, that is the preferable way to finance it.

Councilwoman Plant how long is a certificate of obligation?

Christopher Allison stated you can go up to 35 years, or as short as you want. Right now, a one-year bond is about 0.003 percent, but you have costs associated with issuing it. I will add, last year, the assessed value of Olmos Park was approximately \$760 million. \$235 million of this was subject to the over 65 tax freeze and in the future, that burden will shift to everyone under 65. The I&S has been generated about \$465,000 of annual debt service. Every one cent will generate approximately \$73,000 in terms of annual debt service.

Councilwoman Rickabaugh stated once our current bond is paid off, the I&S is no longer needed. For instance, if we decide we are going to issue a \$5 million bond or tax note, we will then need our I&S back. The I&S is a certain percentage, and we as a City are limited to how much we can go up on our tax rate. We all need to understand how that is going to work.

Councilwoman Dusek stated the big reason to act right now is the rates, the I&S and other pressing factors. I wanted to know if we are looking at \$30 million for 15 years, what would be the recommendation on how to approach this and the Council can discuss further if we agree to that.

Christopher Allison stated I briefly spoke to David Givler regarding project costs, but not on timing. Right now, you can do \$8 million with the 6-cent tax rate to be paid off over 20 years.

Councilwoman Rickabaugh stated this assumes last year's tax roll. It is possible that we have built up some reserve and could start paying off early. Is this an option? Are there opportunities within the terms of the issuance of the bond?

Christopher Allison stated an 8-year call would be the shortest. You can re-finance, which is another issue to smooth out that debt service. The I&S you are paying right now is from money spent back in 2002-2005. The stuff you are tackling annually is coming out of your M&O. You have quite a bit of flexibility to tackle projects.

Councilwoman Plant asked how much are the fees associated with this?

Christopher Allison stated on an \$8 million bond issue, it is approximately \$100,000 - \$110,000. Of that, there is a \$10,000 Texas Attorney General Fee and our fee is approximately \$28,000 and there is bond counsel and other costs associated. At the end of the day, whether you issue a bond or not, the liability already exists. The sewer system that needs this capital expense will either keep increasing your M&O rate every year while paying cash or you can issue the bond and tackle a good portion of it. The tax rate has gone down, but the tax amount you are paying has stayed the same because the values have gone up. Another thing to think about is an Olmos Park resident is getting a tax rate of 2.34%.

City Manager Celia DeLeon stated we can schedule a work session with Council, Financial Advisor Christopher Allison and City Engineer David Givler.

Mayor Hornberger stated at the work session, please have available the average tax on the median value home in Olmos Park.

Councilwoman Plant stated before our work session, David could come up with the best direction for us to look at far as replacing sewers in the \$8 million range that can be accomplished in 3 years.

Christopher Allison stated I want to make one recommendation since the City has recently hired Bond Counsel, even if you don't move forward with the bond issue, the City should adopt a reimbursement resolution. This will allow the City to finance the cost of engineering or any money you are spending between now and then to give you flexibility on you M&O rate.

Mayor Hornberger stated we also want to hear from David that if continue what we have been doing to extend the life of the sewer system as we are rebuilding portions, how much longer will the sewer system last. This will also feed into his recommendation of which piece of the sewer system to start with and tie into discussions with Mr. Allison on how to move forward with financing.

Councilwoman Dusek asked what are your thoughts on a deadline of when we should move forward?

Christopher Allison stated it is expected for the Federal Reserve to do a rate increase by June of 2022. I would recommend you try to have something in first quarter of 2022 if that is a possibility.

Celia DeLeon stated we will send out possible dates for scheduling the work session.

There was no further business and the meeting was adjourned at 5:45 p.m.

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Ronald Hornberger  
Mayor

ATTEST:

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Kyndra Munoz  
City Secretary