City of Fayetteville Staff Review Form

2018-0651

Legistar File ID

12/4/2018

City Council Meeting Date - Agenda Item Only
N/A for Non-Agenda Item

Paul Becker	11/15/2018	CHIEF FINANCIAL OFFICER (110)
Submitted By	**Submitted Date**	**Division / Department**

Action Recommendation:

Approval of an Ordinance calling and setting a date for a special election on the questions of the issuance by the City of Sales and Use Tax Refunding Bonds and Sales and Use Tax Capital Improvement Bonds for various purposes; levying a replacement special local sales and use tax of one percent (1.00%) for the purpose of retiring such bonds; prescribing other matters pertaining thereto.

Budget Impact:

Account Number	Fund
Project Number	Project Title

Budgeted Item?	No	Current Budget	$ -
		Funds Obligated	$ -
		Current Balance	$ -
Does item have a cost?	Yes	Item Cost	
Budget Adjustment Attached?	No	Budget Adjustment	
		Remaining Budget	$ -

V20180321

Purchase Order Number:

Previous Ordinance or Resolution #

Change Order Number:

Approval Date:

Original Contract Number:

Comments:

CITY OF
FAYETTEVILLE
ARKANSAS

CITY COUNCIL MEMO

DECEMBER 4, 2018

TO: Mayor and City Council

THRU: Don Marr, Chief of Staff

FROM: Paul A Becker, Chief Financial Officer

DATE: November 15, 2018

SUBJECT: Request for a Special Election to consider a replacement 1% Sales and Use Tax, which maintains the current tax rate, for the retirement of current Sales and Use Tax Bonds and the issuance of new bonds for the funding of various Capital Improvement Projects.

RECOMMENDATION

To approve the request for a special election asking the voter to approve a replacement 1% Sales and Use Tax, which maintains the current tax rate, for the purpose of issuing bonds in an amount not to exceed $226,065,000 to refinance the remaining Sales and Use Tax Bonds and provide for the issuance of additional bonds for the purposes as defined in the ordinance.

BACKGROUND:

The Sales and Use Tax Bonds authorized by the citizens of Fayetteville in the 2006 Special Election will be paid off in 2019, which is earlier than anticipated due to increased sales tax collections.

The statutes in the State of Arkansas provide for the financing of major capital projects through the use of Sales and Use Taxes, generally used to pay the debt service costs associated with the issuance of bonds. To accomplish this the voter must first authorize the taxes necessary to pay debt service obligations for projects identified by ordinance.

DISCUSSION:

As Fayetteville continues to grow capital needs arise which have been identified. The current City project needs have been identified below in the following estimated amounts:

1) The need for Road Improvement Projects - $70 million
2) The need for Trail Improvement Projects - $6.5 million
3) The need for Drainage Improvement Projects - $15 million
4) The need for Park Improvement Projects - $25 million
5) The need for Economic Development Projects - $3 million
6) The need for City Facilities Improvements - $3 million

7) The need for Construction of an Arts Corridor - $30 million
8) The need for Police Facilities Improvements - $35 million
9) The need for Firefighting Facilities Improvements - $15 million

However, to address these improvements the authorization to refund the current Sales and Use Tax bonds must first be approved. The request is for up to $226,065,000 to ensure the proceeds received will be sufficient to complete the projects. Based on current Sales and Use Tax Collections that amount would pay off in 16 years.

BUDGET/Staff Impact:
This request is to ask the citizens for a 1% Sales and Use Tax for refinancing the remaining Sales and Use Tax bonds and the issuance of new bonds in a total amount not to exceed $226,065,000. The issuance of the Bonds themselves would then be determined by the Mayor and City Council by separate ordinance. It is anticipated that these bonds would be issued incrementally at the time the anticipated project is ready to begin. The bonds would also be issued in view of the economic conditions prevailing at the time.