



Staff Report

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Date: 8/15/2022

Item #: 2.a.

TO: Mayor and City Council

THROUGH: Kristin Retherford, Interim City Manager

FROM: Josh Eggleston, Chief Financial Officer

SUBJECT:

Proposed Community Improvement Bond Projects and Timing.

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Result Areas - Good Governance; Natural Environment Stewardship; Safe Community; Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy; Welcoming and Livable Community.

SUMMARY:

The purpose of this Work Session is to discuss the proposed Community Improvement Bond projects and potential timing. The timing for the proposals will be influenced by bond issuance amounts available within current tax rate, available cash flow, staffing capacity, location and complexity of projects, and City Council input.

ISSUE:

Discussion of the proposed Community Improvement Bond projects and timing.

RECOMMENDATION:

Information only.

FACTS AND FINDINGS:

The timing of projects included in the proposed Community Improvement Bond package are impacted by multiple factors. Below are some staff identified considerations for City Council discussion.

Bond Issuances. If passed, the proposed Community Improvement Bond would authorize the City to issue up to \$300 million in general obligation bonds to fund a variety of projects. Based on the growth of assessed values in Salem, should the bond be approved, bond issuances would be scheduled to maintain the current tax levy rate for City general obligation bonds of \$1.20 / \$1,000. The City, in conjunction with its financial advisor, has reviewed currently held debt and the anticipated payoff dates for those debts, the growth of assessed value and bonded rate projections with the Community Improvement Bond. If approved, the \$300 million bond is projected to be issued in multiple parts to maintain the current levy rate. This is currently modeled at three issuances of \$100 million over the 10-year period, with one issuance scheduled in 2023, again in 2026, and finally 2029.

The purpose of issuing the bonds in multiple segments is multifold:

- The timing will maintain the levy rate of \$1.20 / \$1000.
- It will allow for projects to be completed in accordance with spend-down requirements found in IRC Section 148(a) and (f). These requirements dictate how much money of an issuance needs to be spent in a certain amount of time to ensure jurisdictions are spending funds in a timely manner.
- The timing will allow staff, especially Engineering staff, to have the capacity to work on these new projects in conjunction with current projects.
- Depending on the bond market and interest rates, over the course of the 10-year period, the City's financial advisor may recommend a different variation of amounts and dates.

Geographic Location of Projects. The projects included in the Community Improvement Bond are intended to address priorities across several types of projects (ex. Sidewalk infill, affordable housing, fire equipment, parks improvements, etc.) and across the City, with improvements distributed throughout Salem's neighborhoods and wards. Staff will seek opportunities to combine projects where possible to minimize the duration of project impacts in neighborhoods. For example, if a park has multiple projects such as a new restroom, sports field, shelter, and trails, staff will work to accomplish all the projects at the same time. Determining how projects are ordered will depend on the costs of the projects as outlined above to insure responsible timing, the scope of need of the improvements, and staff capacity.

Complexity and Urgency of Projects. Some projects need to be staged over multiple years in order to allow time for design, potential right-of-way (ROW) acquisition, and preconstruction work. Projects that need minimal design effort will generally be started early in the bond period to provide the community with finished improvements as quickly as possible. The fire equipment portion of the bond is an urgent need that would be ordered as soon as funds are available, should the bond be approved.

City Council Input. During the preparation work done by the Infrastructure Bond Engagement Steering Committee, members of Council expressed interest in providing input throughout the life cycle of the bond through a subcommittee. For each successful bond measure since 2008, the City

Council has had a subcommittee group of Councilors to discuss bond project progression, provide feedback to staff, and to oversee the process. The Community Improvement Infrastructure Bond would work very similar with an oversight Council subcommittee with public meetings and testimony for community participation.

BACKGROUND:

The Community Improvement Bond is a funding proposal for up to \$300 million in improvements to the City of Salem including in our parks, sidewalks, data security and financial software, new fire equipment and land purchase for future fire stations, Civic Center seismic improvements, affordable housing and branch libraries, and street improvements. The proposal was shaped from months of publicly held meetings, independent polling, neighborhood association outreach and Council input. The bond would maintain the levy rate of \$1.20 / \$1000 of assessed value for City authorized general obligation bonds.

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Management Analyst I

Attachments:

1. None.