October 9th Bond Issue Election

The City Council has received many questions from Birmingham residents regarding the upcoming bond issue election that will take place on October 9th. We have listed below some Frequently Asked Questions (FAQs). If you have additional questions, please feel free to contact us at valerie.abbott@birminghamal.gov.

- 1) Why do we need to issue bonds now? There is currently no unallocated money to do any capital projects in the city, including street paving, sidewalks, repairs to public buildings, replacement of leaking roofs, sewer repairs/replacements, etc.
- 2) Will my taxes increase? Fortunately, the City has a Bond Reserve Fund that is known as the "Sinking Fund" which receives 12 mills per \$100 of property tax that can only be used to pay principal and interest on voted bonds. Therefore, there are no tax increases when Birmingham issues bonds, and as the bonds are paid off, the capacity to handle a new bond issue increases.
- 3) When will the work start? Projects that have already been planned will start right away. Since planning must precede all construction projects, others will take several months to a year after the bond issue passes to begin.
- 4) When will the work be completed? Within 2-3 years, roughly 90-95% of the bond-funded projects are expected to be completed.
- 5) What is the current <u>bond</u> debt for the city? As of June 30, 2012 the current balance of outstanding bonds and warrants was \$431,725,000. The proposed \$150M bond issue will be divided into two phases of \$75M each. When the first \$75M of debt is issued in Feb-March of 2013, the City will have roughly \$397,320,000 in outstanding debt, the lowest debt since 1999. The City pays off its debt fairly quickly, for example, we will pay off \$36,610,000 of our debt in FY 2013 alone.
- 6) What is the City's <u>general</u> debt limit? It is 20% of the City's assessed property valuation, with adjustments, and is as follows:

a)	{last credit rating date): (1) Obligations (2) Margin	February, 2011
		Outstanding \$517.5 million Legal Debt \$195.4 million
b)	June 30, 2012: (1) Outstanding Obligations (2) Legal Debt Margin	\$452.5 million \$218.2 million
c)	June 30, 2013: (1) Outstanding Obligations (2) Legal Debt Margin	\$488.7 million* \$168.5 million*

^{*}after issuance of the 1st \$75 million

d) The City's debt has decreased approximately \$100 million and its borrowing capacity under the general debt limit has increased due to the City's rapid repayment of debt. The City has several old loans that will pay off in the next few years. The current debt is the lowest amount since 1999. After adding \$75 million, it will be the lowest amount since 2010 and 2002. During 2014 we will pay down another \$35.5 million of debt.

7) 5) What will the money be used for and what are the categories?

- (1) \$6.3M Solid Waste/Landfills This will fund the expansion of the City's landfills. If this is not done, the City's cost for disposing of garbage will increase substantially. The City does not currently charge a fee for garbage pickup.
- (2) \$20M Public Parks & Rec Facilities This will fund both new and existing public park and recreation facility improvements.
- (3) \$48.7M Street & Sidewalk Improvements This will fund both new and existing street and sidewalk improvements throughout the City.
- (4) \$19M Industrial Park & Econ. Dev. Bonds This will fund projects that will generate jobs for residents and taxes which can be used to fund programs throughout the City.
- (5) \$45M Public Building Facilities & Equipment This will fund both new and existing public property and equipment improvements.
- (6) \$11M Storm & Sanitary Sewers This funds storm drainage projects and improves access to sewers throughout the City.
- 8) Who will do the work? All capital projects over \$5000 must be bid according to State law, so the winning bidder will do the work.
- 9) What is the City's Legal Debt Limit? As of June 30, 2012, it was \$551,149,675. This number is constantly changing, because the City makes debt payments on a monthly basis.
- 10) When will the specific projects be selected and who will make the decisions? The Mayor's Office, City Councilors, neighborhood leaders and interested citizens have proposed projects. The Mayor & Council will review projects submitted prior to the vote as well as any proposals received by the Councilors after the vote, to be submitted to City staff for cost estimates. The Mayor & Council will review the projects and the estimated costs to determine how many projects can be done with the available funds, and whether they will be done in Phase I or Phase II.
- **11) How much time will there be between Phase I and Phase II?** Two to three years. The second installment of bonds would not be issued until the City is ready to spend money on additional projects.
- 12) **Will this bond issue affect the** City's **Bond Rating?** We do not expect a change in the City's bond ratings. Since our last official ratings and periodic updates, the City's debt has been reduced by more than the \$75 million that we will borrow in Phase I. By the time Pha se II's \$75 million of bonds are issued, the City's debt will be reduced by *more* than an additional \$75 million. Our operating budgets have been balanced and our reserves have

- been maintained, and while no one can guarantee the future, we do not expect a ratings change. Our budgets and forecasts do, absolutely, reflect fiscal responsibility.
- 13) **How long does it take to repay a bond issue?** The bonds will be repaid over a period of thirty years, much like a home mortgage.
- 14) **How does the bond issuance process work?** The Council must approve all details of a bond issuance before bonds can be sold. Bonds will be sold through negotiated sale using full disclosure and legal/ethical parameters that the City has used in recent sales. There will be no conflicts of interest.
- 15) How much will the bond attorneys be paid and how are they selected? The Mayor makes a recommendation of which firm to use and the Council approves it, sometimes with modifications. The cost will likely be in the range of \$140,000-175,000.
- 16) How much will the bond underwriters be paid and how are they selected? The Mayor makes a recommendation of which firm to use and the Council approves it, sometimes with modifications. It is projected that we will pay \$6.00-6.50 per \$1000, and that is to incentivize the underwriters to aggressively market our bonds.
- 17) Are any members of the City Council or Mayor's staff related to the bond attorneys or underwriters? Any entity doing business with the COB has to fill out a Transparency in Government form, so we will know about any familial or business relationships prior to approval. The Mayor's policy has been to rotate City business among reputable firms, many of which have never done business with the City or other local governments. Making sure that there are no conflicts or improprieties is one of the highest priorities along with making sure that the firms are highly competent in order to obtain the lowest interest rates.
- 18) Why are there still bond projects from past bond issues that have not been done? In some cases, the estimates were insufficient to do the project, usually due to unforeseen legal or physical aspects. In rare cases, a project ceases to be a priority as time passes and other changes occur.

During the Birmingham City Council Meeting held Tuesday, August 28, 2012, Council approved an Ordinance providing for ordering an election to be held in the City of Birmingham on Tuesday, October 9, 2012, for the purpose of submitting to the qualified electors of said City, for their determination by ballot, several separate propositions to issue bonds of said City for several purposes.