



Legislation Text

File #: 66485, **Version:** 1

Fiscal Note

This is an initial resolution to issue 20-year bonds for two major projects included in the 2021 adopted capital budget -- the second and third phases of a multi-year update to the Metro Transit bus storage and maintenance facility at 1101 East Washington Avenue, and the purchase and remodel of a Metro Transit satellite bus storage and maintenance facility on Hanson Road. Up to a total of \$17,805,000 will be issued for these projects, including the estimated cost of issuance.

The total estimated cost of the projects, along with the borrowing plan for each, is described below:

Metro Transit Bus Storage and Maintenance Facility Update -- \$37 million total cost of all phases -- currently in Phases 2 and 3 (\$5.5 million was borrowed in 2020; \$11.8 million will be borrowed in 2021)

Metro Transit Satellite Bus Storage and Maintenance Facility Purchase and Remodel -- \$24 million -- \$13 million GO Borrowing and \$11 million federal funds (\$6 million will be borrowed in 2021)

Due to the relatively large cost impact and useful life of these projects, along with the overall amount of borrowing in 2021 due to major facilities construction and renovation projects, these bonds will be issued with a 20 year repayment period. Debt service on \$17,805,000 is anticipated to average approximately \$1.1 million annually. This compares with estimated average annual debt service of \$2.0 million annually for 10 year promissory notes. Interest costs on 20 year bonds are estimated to total \$3.9 million, compared with \$2.5 million for 10 year notes. The debt service and interest cost estimates are based on current interest rates on AAA-rated municipal debt and the City's practice of repaying debt on a level-principal basis. "Level-Principal" means that an equal amount of principal is paid each year (e.g., 10% of principal for 10 year notes; 5% of principal for 20 year bonds), which results in less interest paid compared to a "level-debt service" approach.

The bonds referenced in this initial resolution are for purposes that do not require a referendum under state law. Bonds issued for purposes that do not require a referendum must include an initial resolution. Once the initial resolution is adopted, electors have 30 days to petition for a referendum. A petition must include the names of electors numbering at least 10 percent of the votes cast for governor in the city in the last general election (144,813 votes were cast for governor in the City of Madison at the November 2018 general election).

Over 80% of the City's general obligation debt remains on a 10 year repayment period. The bonds included in this initial resolution represent less than 20% of the total anticipated 2021 general obligation (GO) debt issuance scheduled for September 2021. The City has issued GO bonds since 2012 for major capital projects, including the downtown Central Library renovation, the new Fleet Service facility, reconstruction of Monroe Street, expansion of County Highway M, and for various street reconstruction, bikeway and bike bridge construction, and sidewalk replacement projects.

Title

Initial Resolution Authorizing Not to Exceed \$17,805,000 Bonds by City of Madison for Metro Transit Bus Storage and Maintenance Facilities

Body

BE IT RESOLVED, by the Common Council of the City of Madison, Wisconsin, that there shall be issued the

general obligation bonds of the City in a principal amount not to exceed \$17,805,000 for the following purposes: Metro Transit bus storage and maintenance facilities, including property acquisition and improvements to existing facilities. For the purpose of paying principal of and interest on the bonds, there is hereby levied on all the taxable property in the City a direct annual irrevocable tax sufficient for that purpose

BE IT FURTHER RESOLVED, that the City Clerk is authorized to publish a Notice to Electors pursuant to Section 67.05(7)(b), Wisconsin Statutes.