



Memorandum

TO: Members of the City of Bloomington Common Council (“Council”)
FROM: Jessica McClellan, Controller

CC: Kerry Thomson, Mayor
Gretchen Knapp, Deputy Mayor
Nicole Bolden, City Clerk
Margie Rice, Corporation Counsel

RE: Appropriation Ordinance 2024-24 2024 GO Bonds
DATE: October 28, 2024

Summary

The City of Bloomington seeks Council approval of the 2024 General Obligation Bonds. The total project fund, including bond costs, is \$4,300,000. The interest rate of the bonds is capped at 5%, and final rate will be negotiated at bond closing. The bonds are set to close on December 5th, 2024. The City has engaged Baird as underwriter, to determine the right price for the bonds and to buy the bonds to sell them to investors. The City has engaged Reedy Financial, for guidance on developing a strategy for issuing the bonds that meets the City’s financial needs. Bond counsel is Thomas Cameron, of Quarles and Brady, formerly a City attorney. Mr. Cameron’s role is to provide legal advice, prepare all the necessary legal documents for the bond sale, and to protect the City’s interests.

Bloomington has a growing assessed value and a thriving economy. While many cities in Indiana are experiencing shrinking growth, Bloomington has good economic activity, modest population growth, and a positive reputation as a best place to live in Indiana. These macro-economic factors have helped the City maintain a strong bond rating, currently A-.

The City administration discussed the issuance of general obligation bonds with the City Council in several budget sessions, as well as a Council work session, to come to a consensus on the scope of the bond sale and the list of projects to fund. The City is currently using less than half of its debt capacity, which puts it in a good position to take on debt to pay for capital improvements.

About General Obligation (GO) Bonds

A general obligation (GO) bond is a common municipal financing structure. It is a long-term debt instrument that state and local governments use to raise money for projects that don't directly generate revenue. GO bonds are backed by the government's ability to tax to pay back the bonds. The bonds are repaid over a number of years through semi-annual debt service payments.

GO bonds are used to finance capital improvements, such as public infrastructure systems, parks, public safety projects and equipment.

To protect the public, Indiana law imposes procedural requirements for the issuance of any kind of municipal debt. These requirements vary, depending on the features of the loan and the repayment source. All required statutory procedures must be followed for the local government's debt to be valid and enforceable. The 2024 GO Bonds require a notice and a public hearing which will be held on November 20th.

Financial Impact

A GO Bond above the 2024 threshold of \$6,350,466.00 would be a "controlled project" that would trigger a petition and remonstrance process. However, the par amount of the bonds the City of Bloomington is proposing to issue before the end of the year is well below that threshold at \$4,300,000.00, and therefore the controlled project statute is not triggered.

The amount of general obligation bonds that an issuer may issue is limited by the debt limit set forth in the Indiana Constitution and a corresponding statutory limit set forth in the Indiana Code. The calculation of this debt limit is no more than two percent (2%) of one-third (1/3) of the total net assessed valuation of the City. The 2024 debt limit of the civil City is \$32,630,562. The City's 2025 assessed value increased over 2024, thus raising the debt limit by \$4,180,696, bringing the 2025 debt limit of the civil City to \$36,811,258. The City's unused debt capacity in 2024, including the 2024 GO bond is \$17,090,652, or 52% of total 2024 bonding capacity. The City's unused debt capacity in 2025, including the 2024 GO bond, is \$21,271,258, or 58% of total 2025 bonding capacity.

The 2024 GO Bonds will be paid by taxpayers through a new estimated debt tax rate of .0678% (6.78 cents per one hundred dollars of assessed value). However, the City's **total** tax rate will remain relatively flat. The estimated total 2025 City tax rate for taxpayers will remain equal or close to the 2024 rate of .8635% (86.35 cents per 100 dollars of assessed value). This is because as assessed values rise over the tax cap set by Indiana law, the tax levy drops. The GO Bond will close the gap between the 2024 tax rate and the projected drop in the 2025 tax rate due to Bloomington's rising assessed values.

Project List

The following list is from Exhibit A of the attached bond ordinance. The City administration will adhere to the bond project list, which is required by law, and seek input from the City Council on choosing projects that meet the intent of the description listed in section (2)e..

The proceeds of the Bonds will be used to pay all or a portion of the costs of the following capital projects:

- (1) Parks and Recreation Department projects, in a total amount not to exceed \$333,500, consisting of the following:
 - a. Sound system upgrades to the mobile sound system.
 - b. Fence replacement at Willie Streeter Community Garden
 - c. Roof replacement at Woodlawn Bryan Park Shelter
 - d. Liner replacement at Bryan Park Pool
 - e. Acquisition of a seven-passenger van as replacement to the Banneker van.
 - f. Acquisition of a $\frac{3}{4}$ ton truck as replacement to the Parks operations truck.

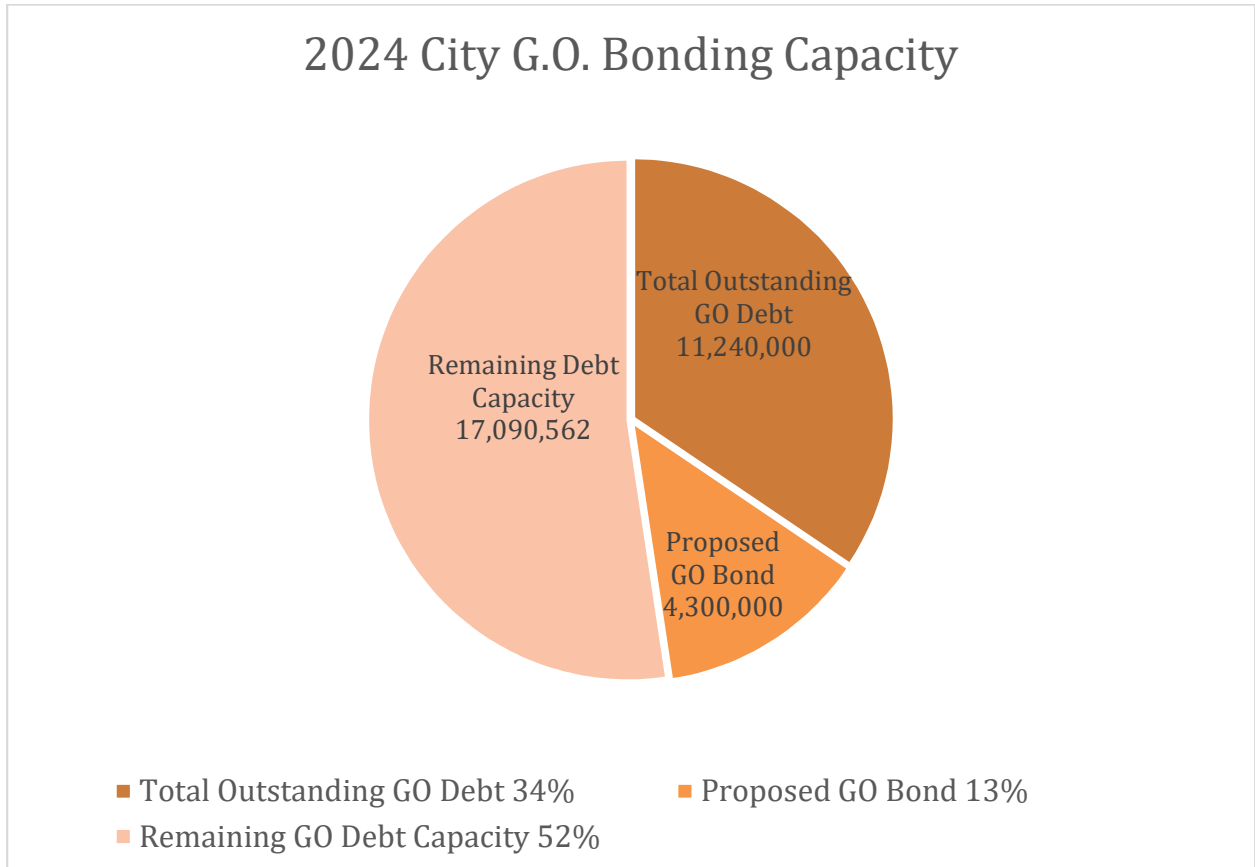
- (2) Engineering Department projects, in a total amount not to exceed \$3,751,500, consisting of the following:
 - a. Community traffic calming projects
 - b. Crosswalk safety improvements
 - c. Curb ramps
 - d. Traffic signal modernization, including at the intersection of: (i) Rogers Street and West Kirkwood Avenue and (ii) South Walnut Street and Grimes Lane
 - e. Projects included in the Bloomington Transportation Plan/Safe Streets For All Plan

- (3) Facilities maintenance and improvement projects, in a total amount not to exceed \$215,000.

Figures

Figure 1. 2024 City GO Bonding Capacity.

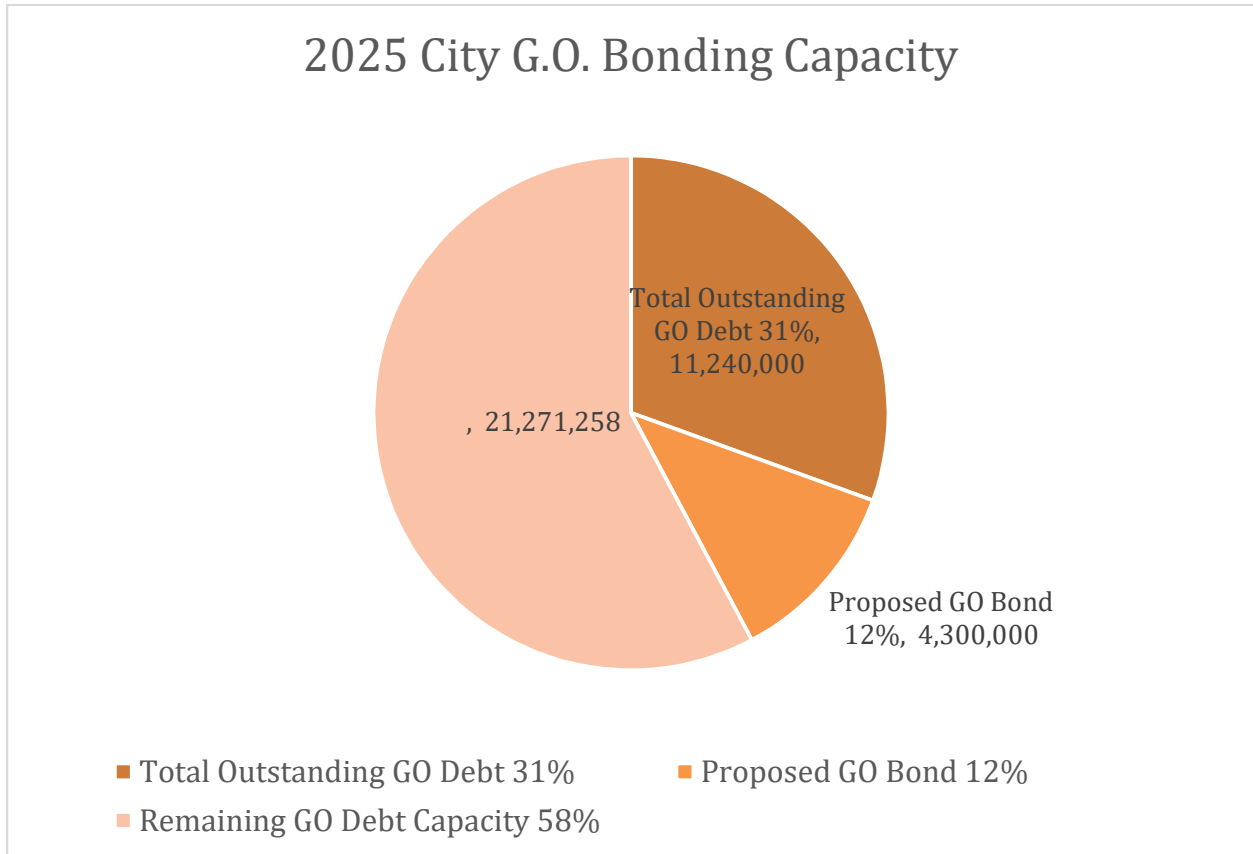
For 2024, the City’s bond limit, or bonding capacity, for property tax funded bonds, is \$32,630,562. In other words, the City’s bond principal amount due cannot exceed \$32,630,562. The City’s unused debt capacity in 2024, including the 2024 GO bond is \$17,090,652, or 52% of total 2024 bonding capacity.



Source: Controller

Figure 2. 2025 City GO Bonding Capacity.

For 2025, the City's bond limit, or bonding capacity, for property tax funded bonds, is \$36,811,258. In other words, the City's bond principal amount due cannot exceed \$36,811,258. The City's 2025 assessed value increased over 2024, thus raising the debt limit. The City's unused debt capacity in 2025, including the 2024 GO bond is \$21,271,258, or 58% of total 2025 bonding capacity.



Source: Controller

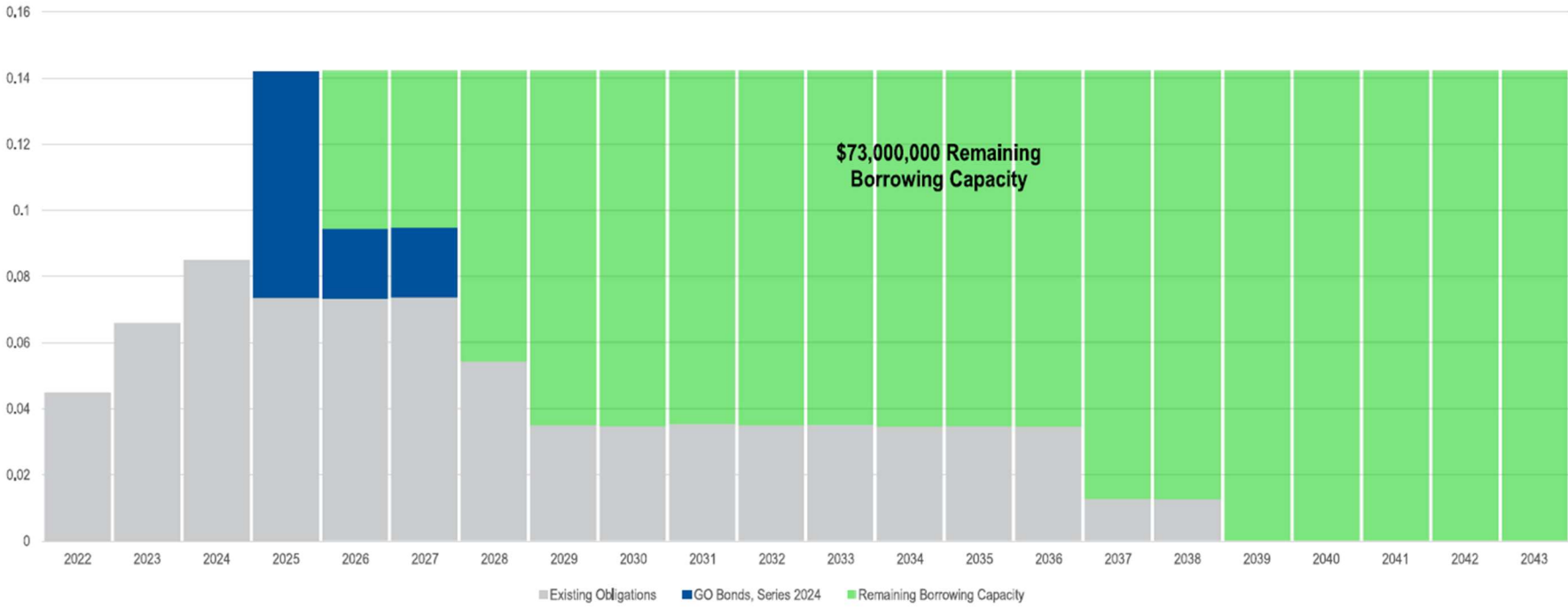
Figure 3. Debt Service Tax Levy

This chart represents the debt service payments that the City must pay over the next 20 years. This is a preliminary planning document and does not represent the final bond documents. The grey bars represent current debt payments that are due. The blue bars represent the 2024 GO Bond, with an estimated 3 year maturity. The City is using a 2 year maturity, and there will not be a payment due in 2027. The green portions represent debt capacity, or debt limit that is available for the City to use. The chart assumes no growth in debt capacity.

Source: Reedy Financial

CITY OF BLOOMINGTON, INDIANA
 DEBT SERVICE TAX LEVY
 PRELIMINARY

0.02

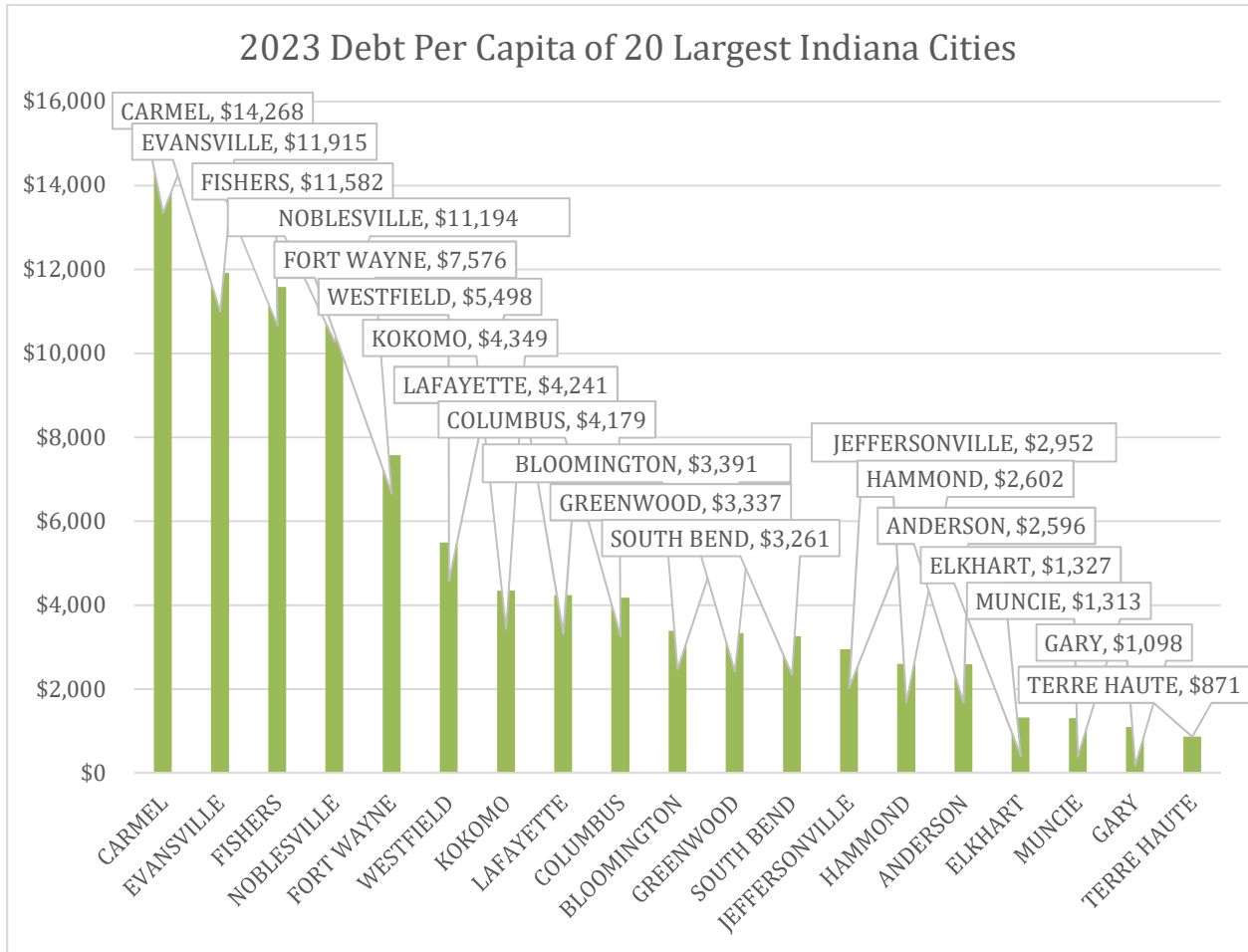


**\$73,000,000 Remaining
 Borrowing Capacity**

Existing Obligations GO Bonds, Series 2024 Remaining Borrowing Capacity

Figure 4. 2023 Debt Per Capita of 20 Largest Indiana Cities

This chart is compiled from data on the DLGF’s website Gateway, www.gateway.ifionline.org. Data is available as of 2023. Bloomington’s payable debt service is \$3,391 per capita, using the 2020 census population of 79,168. Bloomington ranks 10th amongst Indiana’s 20 largest cities, excluding Indianapolis. This figure includes the 2024 GO Bonds. Bloomington’s rank was 10th and remained 10th after inclusion of the 2024 GO Bonds.



Source: Indiana Gateway

Timetable

City of Bloomington, Indiana 2024 General Obligation Bonds Financing Timetable

<u>Date</u>	<u>Event</u>
Tuesday, October 9, 2024	Common Council Work Session
Monday, October 21	Circulate Draft Bond Ordinance to Working Group
Thursday, October 24	Working Group Call re: Bond Ordinance Return Comments on Bond Ordinance to Quarles
Monday, October 28	Submit Final Bond Ordinance to Council
Wednesday, October 30	Circulate Draft Term Sheet to Working Group
Monday, November 4	Submit Notice of Additional Appropriation to Herald Times
Wednesday, November 6	Return Comments on Term Sheet Finalize Term Sheet Bond Ordinance Introduced at Council Meeting
Friday, November 8	Publication of Notice of Additional Appropriation in Herald Times
Wednesday, November 20	Pre-Sign City’s Closing Documents Public Hearing on 2024 GO Bond Final Consideration of Bond Ordinance by Council
Thursday, November 21	Execution of Bond Ordinance by Mayor Pricing of Bonds Submit Notice of Determination to Issue Bonds to Herald Times Submit Notice of Appropriation to DLGF
Friday, November 22	Finalize Purchaser Finalize Numbers / Verify Tax Rate Calculations
Week of November 25	Circulate Finalized Closing Documents
Monday, November 25	First Publication of Notice of Determination to Issue Bonds in Herald Times Post Notice of Determination to Issue Bonds
Monday, December 2	Second Publication of Notice of Determination to Issue Bonds in Herald Times
Tuesday, December 3	Return Closing Documents to Quarles
Thursday, December 5	Closing

Source: *Quarles and Brady*