



## **General Obligation Bonds, City of Bartlesville January 4, 2017**

A General Obligation (GO) bond is a debt instrument issued by a municipality that is secured by ad valorem — or property tax — revenues. GO bonds are an important and commonly used source of funding for capital-type expenditures by many municipalities, including the City of Bartlesville. These expenditures primarily include facilities and infrastructure improvements, such as streets and parks, and the purchase of vehicles and other equipment.

The City of Bartlesville has a self-imposed 15-mil cap for its GO bond debt service. To accomplish this, bonds are issued over time in a series, or “tranche,” as the old bonds mature. This way, tax rates remain stable and taxpayers are able to fund the needs of the community without increasing the tax burden. The City of Bartlesville’s GO bonds are typically held by banks, and interest rates are determined by the interest rate environment and the municipality’s bond rating at the time. The City of Bartlesville’s current Standard & Poor’s rating stands at AA-, an excellent rating matched by few municipalities in the state.

GO bonds must be approved by a simple majority of voters, and projects or expenditures representing 70 percent of the total cost must be identified at the time of the bond election. The remaining 30 percent of funds is applied toward “discretionary projects.” Discretionary projects are those targeted for completion but not legally required, and they are not identified on the ballot at election. The purpose of this is to ensure that funds are available for “70 percent projects,” or those approved by voters, in the event of inflation or other unforeseen circumstances impacting the cost of the legally required projects.

### **How much, how long and why**

The City of Bartlesville is aware, at any given time, of community projects needed or desired by various citizens, committees and other groups totaling upwards of \$80 million to \$100 million. That list of projects must be narrowed to a number consistent with the City’s self-imposed 15-mil cap before voters are asked to consider approval of the GO bond.

While there is no limit on how much funding can be sought, the City of Bartlesville typically seeks voter approval of \$10 million to \$20 million in projects at election. Historically, these bonds are issued over a three- to five-year period before another proposition is taken to voters. The reason for this is to allow for better oversight of the bond by voters, as well as to ensure that additional funding can be sought sooner should unforeseen circumstances occur.

## **Who decides which projects are put before voters?**

Upwards of 200 citizens serve on 27 committees associated with the City of Bartlesville. Project ideas for GO bonds typically spring from these citizen-driven committees, though City Council representatives as well as community non-profit and other groups can, and do, bring ideas to the table.

In the end, the five-member City Council is tasked with approving the projects that will be put before voters at election. “Workshop” meetings are held to go over projects and receive input from citizens and other interested parties before the City Council votes on the projects to be proposed.

An election date is selected, and the council-approved projects are submitted to the Oklahoma Attorney General’s Office for review. The Attorney General’s office is tasked with ensuring that the ballot language meets all legal requirements, and that voters can easily understand the projects/expenditures and the amount of funding sought for approval.

## **After the election**

Once approved by voters, the City Council authorizes approval of the bonds, and financial advisors prepare an offering statement to receive bids on them. The City Council must then accept the bids and authorize the sale of the bonds. This is done over time in a series of issuances during the duration of the bond.

## **Bond issues: Some history**

Since 2001, the City of Bartlesville has utilized funding from four GO bonds, approved by voters in 2001, 2005, 2008 and 2012. These bond issues represent \$48.2 million in projects for the community.

### **2001 (\$10.2M)**

Sanitary Sewer — 7.6M (75 percent)

Facilities — 2.3M (22 percent)

Information Technology — \$300,000 (3 percent)

### **2005 (\$13M)**

Streets — \$8.2M (63%)

Drainage — \$2.5M (19%)

Facilities — \$1.9M (15%)  
Water — \$400,000 (3%)

**2008 (\$10M)**

Streets — \$8M (80%)  
Parks — \$2M (20%)

**2012 (\$15M)**

Facilities — \$7.1M (47%)  
Streets — \$5.4M (36%)  
Parks — \$2.2M (15%)  
Information Technology — \$300,000 (2%)

In all, since 2001 GO bonds have funded:

- \$22.6 million in Street improvements
- \$11.3 million in improvements to Facilities, including new buildings for police, fire and White Rose Cemetery as well as roof replacements and building renovations
- \$7.6 million in Sanitary Sewer System improvements
- \$4.2 million for Parks, including Pathfinder Parkway improvements, swimming pool renovations, playground equipment replacement, sports fields and shelters
- \$2.5 for Storm Water Drainage improvements
- \$600,000 in Information Technology upgrades and
- \$400,000 in Water infrastructure improvements.

Of the \$48.2 million provided from GO bonds since 2001, 45 percent was used to fund Streets, 23 percent Facilities, 16 percent Sewer, 9 percent Parks, 5 percent Drainage, 1 percent Information Technology and 1 percent Water.

**Where do we go from here?**

During a regularly scheduled City Council meeting held Jan. 3, 2017, City staff presented to the council the contents of this report. Additionally, information was provided, for information only, regarding estimated bond capacity. A PowerPoint was presented showing the annual amounts possible (reflected in the table below, in the left column) with accumulative totals (right column) based on the duration of the bond. Also presented were possible dates for the election, as well as deadlines for measures associated with calling the election.

## ESTIMATED FUTURE BOND CAPACITY

2017 Election Authorization		
2018A GO Bonds	8,750,000	8,750,000
2018B GO Bonds	4,250,000	13,000,000
2019 GO Bonds	2,250,000	15,250,000
2020 GO Bonds	2,000,000	17,250,000
2021 GO Bonds	4,000,000	21,250,000

## POSSIBLE ELECTION DATES IN 2017

Election Date	Resolution Due	Council Meeting
May 9, 2017	Mar 9, 2017	Mar 6, 2017
Jun 13, 2017	Apr 13, 2017	Apr 3, 2017
Jul 11, 2017	May 11, 2017	May 1, 2017
Aug 8, 2017	Jun 8, 2017	Jun 5, 2017
Sep 12, 2017	Jul 13, 2017	Jul 3, 2017
Oct 10, 2017	Aug 10, 2017	Aug 7, 2017
Nov 14, 2017	Sep 14, 2017	Sep 5, 2017

The agenda item for the Jan. 3 meeting called for discussion only, and no action was taken following the presentation. In the future, the City Council could opt to move toward calling for a GO bond election in 2017, in which case this report will be revised to reflect changes as they occur.

This document is for information purposes only and may be revised for clarity or correction as needed. For more information, call 918.338.4132 or 918.338.4282.