

GENERAL OBLIGATION BOND FUNDING

General obligation bonds may be used to finance any capital improvement approved by the voters. These bonds are called “General Obligation” because the City’s general income from all sources is pledged to the payment of principal and interest on the bonds. As a matter of policy, however, the City redeems its general obligation bonds with property tax revenue. **Approval of the projects contained in the 2015 general obligation bond program will not require a City property tax rate increase.**

- **Bond Rating and Repayment**

Generally, the City’s policy is to issue general obligation bonds for a 13-year, or shorter, period. Most recently, some types of equipment have been paid off in as little as one year. This rapid debt retirement schedule is looked upon favorably by the bond rating agencies and contributes to the high bond ratings enjoyed by the City: Moody’s Aa1; Standard & Poors AAA; Fitch AA⁺, all with a stable outlook for the future.

- **Bond Capacity**

The amount of G.O. bond funds for capital projects that may be funded in any particular planning cycle is dependent on the available bonding capacity. Bonding capacity results from the amount of revenue available from property taxes, based on a statutory formula. The amount of revenue available is determined not only by tax payments, but also by the bond repayment schedule, tax collection rate and the growth in the tax base. Due to low interest rates, the cost to the taxpayers for the issuance of bonds has been at historically low levels, enabling the City to pay down bond indebtedness in an average of six to seven years, rather than the planned 13 years.

- **Bond Purpose**

It is required by law that voters approve general obligation bonds by purpose. A “purpose”, sometimes also called a bond question, may be understood as the grouping of like projects into one question for the voters to consider. For example, all parks, open space and recreation projects are grouped together in the Parks and Recreation bond question, or all projects that will be undertaken in the street right-of-way are grouped together in the Street question.

The purpose of the bond question must be stated so that the voters have the option of approving, or not approving, each purpose individually. Once a question has been approved by the voters, it must be used for that purpose only. Funds may not be transferred to another purpose. For example, streets purpose funds may not be transferred to the parks and recreation purpose. However, if the City Council holds a public hearing, and if a majority of Councilors approve, funds may be transferred within the same purpose from one project to another.