

Worksession

Agenda Item #	5
Meeting Date	May 15, 2008
Prepared By	Barbara B. Matthews City Manager <i>BBM</i>
Approved By	

Discussion Item	Worksession concerning the proposed Debt Service budget for FY 2009
Background	<p>The City's new fiscal year will commence on July 1, 2008. In accordance with Article VIII of the Charter of the City of Takoma Park, the City Manager prepared a proposed budget for consideration by the City Council.</p> <p>On May 15, 2008, the City Council is scheduled to discuss the proposed Debt Service budget. This budgetary unit provides for the payment of principal and interest payments on the City's outstanding debt obligations. These obligations were incurred as a result of long- or short-term borrowing or lease financing.</p> <p>The City Manager's proposed budget for Debt Service is \$1,055,416.</p>
Policy	In accordance with Article VIII of the Charter of the City of Takoma Park, the City Manager is charged with submission of a proposed budget for consideration of the City Council. Before adoption of the budget, the City Council shall hold at least one public hearing.
Fiscal Impact	The City Manager's proposed operating budget for Debt Service is \$1,055,416.
Attachments	<p>Staff previously provided the City Council with a binder containing information related to the proposed budget for FY 2009. The information contained therein will be discussed at the work session. Staff requests that Councilmembers bring their binders with them to the work session.</p> <p>Additional information related to the proposed Debt Service budget is as follows:</p> <ul style="list-style-type: none"> • Debt service schedule for City obligations
Recommendation	Staff recommends that the City Council discuss the proposed budget for Debt Service and ask any questions that it may have about this section of the budget.
Special Consideration	The proposed FY 2009 budget contemplates the design and renovation of the Public Works facility. Pending completion of the design process, the City does not have a solid estimate of construction costs. For budgetary purposes, a projection of \$2.0 million has been assumed, to be financed through the issuance of general obligation funds. It is anticipated that the timing and structure of the issuance would be such that the first debt service payment would be made in FY 2010. The annual debt service payment would depend on interest rates in effect at the time of the issuance and the term of the bond issue. To minimize interest costs, staff's preliminary recommendation is a ten-year issue, which would have an associated annual debt service cost in the range of \$130,000 based on a \$2 million bond amount.