



CITY COUNCIL REPORT

February 12, 2008

To: Mayor and City Council Members

From: Phillip L. Nelson, City Manager
John Lamerato, Assistant City Manager/Finance & Administration
Cathleen Russ, Library Director

Subject: Next Steps in the Library Planning and Development Process

Background

With the presentation of the Library Needs Assessment study, staff has developed a possible next steps brief for Council review and disposition.

Options

Based on Council's action and Council's Goals and Objectives, staff would recommend the following steps:

1. Selection of Option or Options for Continued Study: Council could select a viable option or options for additional study. The library needs assessment study provided viable options based on buildings that fit available land so that overall costs can be held to acceptable levels.
2. Fiscal Impact Analysis: The primary source of funding would more than likely be the issuance of voter approved General Obligation Bonds, backed by the full faith and credit of the City. Due to the fact that the City carries AAA bond ratings from all rating agencies, interest rates on a long-term issue could be significantly reduced. Property tax impact would be similar no matter which option the Council might choose. Staff will investigate all grant possibilities to defray costs, and will work with the architectural firm to develop methods of keeping personnel and other related costs at manageable levels.

In response to a Council question about a private developer building the structure, staff feels that if the Council chooses an option to construct a stand alone facility, there would be little advantage to additional study of a developer building the facility. This conclusion is due to the fact that the City can get better bond interest rates than a private developer using a private lending institution, and that there is no profit motive in owning a municipal building.

Repayment would have to be through a guaranteed annual appropriation by the City with significantly higher interest rates. Staff is aware of a situation where a developer did construct a library for the City of Lakewood, Colorado as a part of a large scale development in the Civic Center area. The developer leased the facility to the City for an extended period of time based on a guaranteed annual appropriation from the City to the developer. The City used this arrangement due to limited bonding capacity and so they wouldn't have to go to a vote of the people. Lease-purchase agreements, or Certificates of Participation as they are more commonly known carry significantly higher interest rates, and carry another issue in that if Councils of the future vote to not make the annual payment, the City can default on the "loan", which results in critically adverse impacts on the City's bond ratings.

If the Council wants to look at an option of building the library off the Civic Center site and part of an overall development or redevelopment, for example, on the Big Beaver Corridor the possibilities are opened a little wider. The proposed library and City participation in a public-private partnership could increase the possibilities of reducing the overall cost of the facility, and increase the overall scope of library exposure and service to the community.

The following table indicates the City's current bonded indebtedness as of December 31, 2007

Fiscal Year	Taxable Value	Est. Population	Gross Bonded Debt Outstanding	Debt Service Fund Balance	Debt Payable from other than General Resources	Net Bonded Debt	% of Net Bonded Debt to Taxable Value	Net Bonded Debt Per Capita
2000	\$4,183,560,453	80,959	\$ 16,353,273	\$ 9,895,404	\$ 6,457,869	\$ -	0.0%	\$ -
2001	4,373,072,080	81,769	27,862,925	11,017,036	10,025,000	\$ 6,820,889	0.2%	83.42
2002	4,686,250,942	82,586	43,464,521	12,413,625	7,250,000	\$ 23,800,896	0.5%	288.19
2003	4,861,640,648	83,412	66,038,658	13,543,103	4,925,000	\$ 47,570,555	1.0%	570.31
2004	4,978,263,437	84,246	54,498,315	4,820,818	14,000,000	\$ 35,677,497	0.7%	423.49
2005	5,094,758,223	85,089	52,812,271	4,734,163	13,725,000	\$ 34,353,108	0.7%	403.73
2006	5,264,351,550	85,940	50,956,648	4,776,501	13,350,000	\$ 32,830,147	0.6%	382.01
2007	5,434,035,442	86,799	48,880,131	4,434,911	12,975,000	\$ 31,470,220	0.6%	362.56

Additionally, as of December 31, 2006, the City has a legal General Obligation Bond debt limit of \$642,265,981 and a legal debt margin of \$598,135,981. A \$37 million dollar G.O. Bond issue would still leave the City with a debt margin of \$561,135,981.

3. Hard and Soft Costs: While design of a library facility could reduce the costs for operation and maintenance, staff believes there will still be significant costs in collection, technology and operational costs. Staff would recommend the Council plan to use one additional mill for debt service and probable operational expense increases. One additional mill would cost the owner of the average priced home in Troy an extra \$125 per year in property taxes, or about \$10 per month. The attached charts indicate annual debt service, and possible property tax impacts. Staff would highly recommend against including expanded collection and other soft cost items in the bond issue as taxpayers would be paying for such items over an extended period of time. Please note that the interest rates indicated on the debt service charts are probably higher than what the City could obtain with its AAA bond rating.
4. Community Engagement: Now that facts and figures on estimated costs have been developed, the Council might want to determine community support for the construction of a new or remodeled facility. The Council could choose to conduct a community survey to ascertain public input/feelings. The Troy Friends of the Library have offered to cover the costs of the survey.
5. Ballot Question: Once the survey returns are tabulated, the Council can make the choice of whether to plan a ballot question for inclusion on the November 2008 General Election. Logistics for submitting ballot questions for the November election are as follows:
 - Council has to agree on the ballot language
 - Council would have to give approval to ballot language on or before the 2nd meeting in July
 - The Election Commission would review and approve the ballot question
 - If approved by the Election Commission, the ballot question is then submitted to the County on or before August 26th, 2008.
6. Design and Construction Logistics: If the ballot response is positive, select an architectural firm to start design. Once design is approved, start the bidding and construction award process. Estimated construction time is 2 years.
7. Other Considerations: One consideration will be possible uses of the existing library should the Council choose Option C. If the Council chooses Option C, staff would start the logistics of determining options for the disposition of the existing building.

Staff fully understands that there will be other steps in the process, but feels that these are the priority measures that need to be taken if the Council chooses to move forward.

\$37,000,000
CITY OF TROY
25 Year Schedule of Debt Service & Millage Requirements
Assuming .5% Annual Growth in Taxable Value

Year	Principal Due 39,722	Interest Rate	Interest Due 1-Oct	Interest Due Next April 1	Total Principal & Interest Payments	Taxable Value in 1,000	July 1 Millage Requirements
2009	-	5.50%	1,187,083	1,017,500	2,204,583	5,606,160	0.3932
2010	400,000	5.50%	1,017,500	1,006,500	2,424,000	5,634,191	0.4302
2011	600,000	5.50%	1,006,500	990,000	2,596,500	5,662,362	0.4586
2012	700,000	5.50%	990,000	970,750	2,660,750	5,690,674	0.4676
2013	750,000	5.50%	970,750	950,125	2,670,875	5,719,127	0.4670
2014	850,000	5.50%	950,125	926,750	2,726,875	5,747,723	0.4744
2015	900,000	5.50%	926,750	902,000	2,728,750	5,776,461	0.4724
2016	1,000,000	5.50%	902,000	874,500	2,776,500	5,805,343	0.4783
2017	1,100,000	5.50%	874,500	844,250	2,818,750	5,834,370	0.4831
2018	1,150,000	5.50%	844,250	812,625	2,806,875	5,863,542	0.4787
2019	1,250,000	5.50%	812,625	778,250	2,840,875	5,892,860	0.4821
2020	1,350,000	5.50%	778,250	741,125	2,869,375	5,922,324	0.4845
2021	1,450,000	5.50%	741,125	701,250	2,892,375	5,951,936	0.4860
2022	1,550,000	5.50%	701,250	658,625	2,909,875	5,981,695	0.4865
2023	1,650,000	5.50%	658,625	613,250	2,921,875	6,011,604	0.4860
2024	1,800,000	5.50%	613,250	563,750	2,977,000	6,041,662	0.4927
2025	1,950,000	5.50%	563,750	510,125	3,023,875	6,071,870	0.4980
2026	2,100,000	5.50%	510,125	452,375	3,062,500	6,102,230	0.5019
2027	2,200,000	5.50%	452,375	391,875	3,044,250	6,132,741	0.4964
2028	2,250,000	5.50%	391,875	330,000	2,971,875	6,163,404	0.4822
2029	2,300,000	5.50%	330,000	266,750	2,896,750	6,194,221	0.4677
2030	2,350,000	5.50%	266,750	202,125	2,818,875	6,225,192	0.4528
2031	2,400,000	5.50%	202,125	136,125	2,738,250	6,256,318	0.4377
2032	2,450,000	5.50%	136,125	68,750	2,654,875	6,287,600	0.4222
2033	2,500,000	5.50%	68,750	-	2,568,750	6,319,038	0.4065
	37,000,000		16,896,458	15,709,375	69,605,833		0.4675

Assumes .50% Annual Growth Rate in Taxable Value

\$37,000,000
 CITY OF TROY
 25 Year Schedule of Debt Service Millage Requirement
 Assuming 1.00% Annual Growth in Taxable Value

Year	Principal Due 39,722	Interest Rate	Interest Due 1-Oct	Interest Due Next April 1	Total Principal & Interest Payments	Taxable Value in 1,000	July 1 Millage Requirements
2009	-	5.50%	1,187,083	1,017,500	2,204,583	5,662,082	0.3894
2010	400,000	5.50%	1,017,500	1,006,500	2,424,000	5,718,703	0.4239
2011	600,000	5.50%	1,006,500	990,000	2,596,500	5,775,890	0.4495
2012	700,000	5.50%	990,000	970,750	2,660,750	5,833,649	0.4561
2013	750,000	5.50%	970,750	950,125	2,670,875	5,891,985	0.4533
2014	850,000	5.50%	950,125	926,750	2,726,875	5,950,905	0.4582
2015	900,000	5.50%	926,750	902,000	2,728,750	6,010,414	0.4540
2016	1,000,000	5.50%	902,000	874,500	2,776,500	6,070,518	0.4574
2017	1,100,000	5.50%	874,500	844,250	2,818,750	6,131,223	0.4597
2018	1,150,000	5.50%	844,250	812,625	2,806,875	6,192,536	0.4533
2019	1,250,000	5.50%	812,625	778,250	2,840,875	6,254,461	0.4542
2020	1,350,000	5.50%	778,250	741,125	2,869,375	6,317,006	0.4542
2021	1,450,000	5.50%	741,125	701,250	2,892,375	6,380,176	0.4533
2022	1,550,000	5.50%	701,250	658,625	2,909,875	6,443,977	0.4516
2023	1,650,000	5.50%	658,625	613,250	2,921,875	6,508,417	0.4489
2024	1,800,000	5.50%	613,250	563,750	2,977,000	6,573,501	0.4529
2025	1,950,000	5.50%	563,750	510,125	3,023,875	6,639,236	0.4555
2026	2,100,000	5.50%	510,125	452,375	3,062,500	6,705,629	0.4567
2027	2,200,000	5.50%	452,375	391,875	3,044,250	6,772,685	0.4495
2028	2,250,000	5.50%	391,875	330,000	2,971,875	6,840,412	0.4345
2029	2,300,000	5.50%	330,000	266,750	2,896,750	6,908,816	0.4193
2030	2,350,000	5.50%	266,750	202,125	2,818,875	6,977,904	0.4040
2031	2,400,000	5.50%	202,125	136,125	2,738,250	7,047,683	0.3885
2032	2,450,000	5.50%	136,125	68,750	2,654,875	7,118,160	0.3730
2033	2,500,000	5.50%	68,750	-	2,568,750	7,189,342	0.3573
	37,000,000		16,896,458	15,709,375	69,605,833		0.4363

Assumes 1.00% Annual Increase in Taxable Value

**Potential Property Tax Impact
On Various Property Values
Assuming a 1 Mill Property Tax Increase**

Property Value	\$ 150,000	\$ 175,000	\$ 200,000	\$ 250,000	\$ 275,000	\$ 288,000	\$ 350,000	\$ 400,000	\$ 450,000	\$ 500,000	\$ 650,000
Assessment Ratio	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%
Taxable Value	\$ 64,815	\$ 75,618	\$ 86,420	\$ 108,025	\$ 118,828	\$ 124,445	\$ 151,235	\$ 172,840	\$ 194,445	\$ 216,050	\$ 280,865
City Property Tax Rate (2006-07)	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
Annual Property Taxes-City Only	\$ 64.82	\$ 75.62	\$ 86.42	\$ 108.03	\$ 118.83	\$ 124.44	\$ 151.24	\$ 172.84	\$ 194.45	\$ 216.05	\$ 280.87
Monthly Property Tax Equivalent	\$ 5.40	\$ 6.30	\$ 7.20	\$ 9.00	\$ 9.90	\$ 10.37	\$ 12.60	\$ 14.40	\$ 16.20	\$ 18.00	\$ 23.41
Daily Property Tax Equivalent	\$ 0.18	\$ 0.21	\$ 0.24	\$ 0.30	\$ 0.33	\$ 0.34	\$ 0.41	\$ 0.47	\$ 0.53	\$ 0.59	\$ 0.77
Daily Cost/Person Tax Equiv.	\$ 0.07	\$ 0.08	\$ 0.09	\$ 0.11	\$ 0.12	\$ 0.13	\$ 0.15	\$ 0.18	\$ 0.20	\$ 0.22	\$ 0.29
Est. Monthly House Payment	\$ 900	\$ 1,050	\$ 1,200	\$ 1,500	\$ 1,650	\$ 1,728	\$ 2,100	\$ 2,400	\$ 2,700	\$ 3,000	\$ 3,900
Est. Yearly House Payment	\$ 10,800	\$ 12,600	\$ 14,400	\$ 18,000	\$ 19,800	\$ 20,736	\$ 25,200	\$ 28,800	\$ 32,400	\$ 36,000	\$ 46,800
Est. Annual Household Income	\$ 43,200	\$ 50,000	\$ 57,600	\$ 72,000	\$ 80,000	\$ 86,400	\$ 100,000	\$ 115,200	\$ 129,600	\$ 144,000	\$ 187,200
% of Income for House Payment	25%	25%	25%	25%	25%	24%	25%	25%	25%	25%	25%
Percent Property Taxes of Annual Income	0.15%	0.15%	0.15%	0.15%	0.15%	0.14%	0.15%	0.15%	0.15%	0.15%	0.15%
Examples of Service Costs--Daily Basis											
Daily Cost of Library/Museum	0.006	0.007	0.008	0.010	0.011	0.012	0.015	0.017	0.019	0.021	0.027

Assumptions:

Indicates the average price of home in the City of Troy

Assessment Ratio is the average for the City. Some properties pay more, some properties pay less. State law indicates Assessment ratios can be as high as 50%

Daily Cost per Person is calculated on the average number of persons per household as indicated in Census Bureau statistics

% of Income for House Payment is based on financial institution averages of 25% of household income being used for house payments. Some people pay more, some pay less.

Estimated house payment is based on a 6% interest rate on mortgages and does not include insurance costs or taxes paid to escrow account

Examples of Service Costs indicate the daily cost of various services as a percentage of the total budget