



**Staff Report**

For City Council Meeting of 4/6/2022

***Subject - New Business - Discussion - Loan Scenarios***

**Synopsis:** The Council will discuss the two financial scenarios for the fire / police station bond measure. Councilor Warren has provided the attached calculator for residents to estimate the impact. Jonas Biery of D.A. Davidson has also advised Council on the pros and cons of both scenarios; one with a rate of 1.15 yielding less interest over time but higher payments the first three years, the other rate of 1.21 results in more interest over time but steady payments over the course of term. As 1.21 is the higher rate of the two scenarios, this is the rate that was stated on the ballot title to cover all bases.

**Recommendation:** N/A

**Legal Analysis:** N/A

**Financial Analysis:** N/A

Respectfully Submitted,

A handwritten signature in blue ink, appearing to be the name "Chad", is written over the signature line.

Chad

Effect of Gearhart Police/Fire Station General Obligation Bond On Property Taxes

The Gearhart General Obligation (GO) Bond costs below are best estimates and do not include other taxes such as road and operating levies.  
 All calculations below automatically escalate Tax Assessed Values by 3% annually

Home Tax Assessed Value (FY2021-22) \$ 388,116 <=ENTER CURRENT TAX ASSESSED VALUE HERE

TAX YEAR	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
	Base Year Before Police/Fire Bond	1st Year of Police/Fire Bond			Water Bond #1 PaysOff						Water Bond #2 Pays Off - Only Police/Fire Bond remains
<b>BOND SCENARIO 1</b>											
Police/Fire Station Bond Rate Per \$1,000	NA	\$ 1.155	\$ 1.155	\$ 1.155	\$ 1.155	\$ 1.155	\$ 1.155	\$ 1.155	\$ 1.155	\$ 1.155	\$ 1.155
Annual Cost Of Police/Fire Station Bond	NA	\$ 462	\$ 476	\$ 490	\$ 505	\$ 520	\$ 535	\$ 551	\$ 568	\$ 585	\$ 602
Total Of All Gearhart GO Bond Rates	\$ 1.414	\$ 2.283	\$ 2.224	\$ 2.189	\$ 1.562	\$ 1.556	\$ 1.547	\$ 1.529	\$ 1.518	\$ 1.509	\$ 1.155
Sum Of All Gearhart General Obligation Bonds	\$ 549	\$ 913	\$ 916	\$ 928	\$ 682	\$ 700	\$ 717	\$ 730	\$ 746	\$ 764	\$ 602
Annual Change from FY2021-22 Base Year	NA	\$ 364	\$ 367	\$ 380	\$ 134	\$ 151	\$ 168	\$ 181	\$ 198	\$ 215	\$ 54
Monthly Change from FY2021-22 Base Year	NA	\$ 30	\$ 31	\$ 32	\$ 11	\$ 13	\$ 14	\$ 15	\$ 16	\$ 18	\$ 4
<b>BOND SCENARIO 2</b>											
Police/Fire Station Bond Rate Per \$1,000	NA	\$ 0.936	\$ 0.789	\$ 0.766	\$ 1.213	\$ 1.213	\$ 1.213	\$ 1.213	\$ 1.213	\$ 1.213	\$ 1.213
Annual Cost Of Police/Fire Station Bond	NA	\$ 374	\$ 325	\$ 325	\$ 530	\$ 546	\$ 562	\$ 579	\$ 596	\$ 614	\$ 633
Total Of All Gearhart GO Bond Rates	\$ 1.414	\$ 2.064	\$ 1.862	\$ 1.802	\$ 1.619	\$ 1.611	\$ 1.606	\$ 1.591	\$ 1.577	\$ 1.565	\$ 1.213
Sum Of All Gearhart General Obligation Bonds	\$ 549	\$ 825	\$ 767	\$ 764	\$ 707	\$ 725	\$ 744	\$ 759	\$ 775	\$ 793	\$ 633
Annual Change from FY2021-22 Base Year	NA	\$ 276	\$ 218	\$ 215	\$ 158	\$ 176	\$ 195	\$ 211	\$ 227	\$ 244	\$ 84
Monthly Change from FY2021-22 Base Year	NA	\$ 23	\$ 18	\$ 18	\$ 13	\$ 15	\$ 16	\$ 18	\$ 19	\$ 20	\$ 7
Annual Difference Between Scenarios 1 & 2	NA	\$ (88)	\$ (149)	\$ (164)	\$ 25	\$ 25	\$ 27	\$ 30	\$ 29	\$ 28	\$ 30

### Explanation of Bond Scenarios

Based on information available last year, the City had been quoting a \$1.05 "Millage Rate" for its Police/Fire Station General Obligation Bonds. ("Millage Rate" is the cost per \$1,000 of County Tax Assessed Value.) With the delays in providing voters the opportunity to decide the bond measure last November, the City did the responsible thing and asked our cost consultants and bond advisor to provide updated figures. Not surprisingly, bond interest rates have increased and construction costs continue to move higher.

Incorporating the latest figures, the Millage Rate of the bond increased by a dime to about a \$1.15 per \$1,000 of Tax Assessed Value and would have been pretty straightforward to disclose just that new rate. However, in addition, the City's bond advisor came up with a creative alternative bond financing structure to soften the impact of the tax increase. The largest jump in our Gearhart General Obligation (GO) bond payments occurs in the first 3 tax years, prior to the payoff of the first Water Treatment Bond. This second bond scenario involves ***borrowing additional funds*** to cover the principal portion of the fire/police bond payment for 3 years and thereby eliminating the principal portion of the bond payment for that time period. Borrowing additional funds increases the Millage Rate to about a \$1.21 per \$1,000. While this alternate scenario helps on a cash-flow basis by helping to "level out" the tax payments, the downside is that the benefit of the bond payment reduction after the two water bonds payoff is lessened and costs slightly more in the long run. (Think of it like financing a car over 60 months instead of 48 months where the monthly payments are lower but the interest paid is higher.)

Please remember that the City has not yet decided upon which of the two bond scenarios will be selected. Consequently, we are disclosing both the higher and lower millage rates. We have developed this spreadsheet to assist with determining the impact of the Fire/Police Station Bond on all of our budgets. Please review how these bond scenarios. We look forward to hearing your feedback on which structure you prefer.

### Explanation of Grants & Donations

Grant and Donation Funding Many have asked if the city has or will be pursuing government and private grant sources to minimize the impact of the tax burden. The answer is "Yes", the City has investigated grant funding and has already applied and been successful on several grants for equipment and food/medical caching. The City and the Gearhart Volunteer Firefighters Association will be working on a capital campaign to minimize the taxpayers' burden. There are many sources funding right now or soon-to-be available sources. However, we face several challenges: 1) While we have a signed and recorded Conditional Property Transfer Agreement with the Highlands Property owners, until the GEARHART Urban Growth Boundary shift is approved, we technically don't have "Site Control", which is a prerequisite for application for government and most sophisticated private grant sources. 2) Virtually all grants require local support and local financial contributions. The opposition to the station bond is working at cross purposes with the city's best interests. 3) Some grant programs target low and moderate income areas which Gearhart would probably not be eligible for.