



CITY OF POQUOSON

FINANCE DEPARTMENT

500 CITY HALL AVENUE, POQUOSON, VIRGINIA 23662-1996

February 25, 2019

TO: City Council

THROUGH: Randy Wheeler, City Manager

FROM: Tonya O'Connell, Finance Director

SUBJECT: Appropriation of Interest Earned On Bond Proceeds

It is important to note that as the City reserves its limited debt capacity to help with potential out year projects such as the Federal TMDL Mandate or public safety building, we must examine other funding options, such as the appropriation of bond interest, to help support equipment replacement and other smaller Constrained Capital Improvement Plan (CCIP) related expenditures for which a funding source has not been identified.

In June of 2016, the City authorized the issuance of general obligation and refunding bonds. As a result of the issuance, the City received new proceeds that were determined to be used to fund projects within the capital improvement plan. The proceeds were invested in the Virginia State Non-Arbitrage Program (SNAP) program which is managed by PFM Management LLC. Currently the proceeds through the SNAP program has earned approximately \$13,670 through January 31, 2019. It is anticipated the funds will earn a few dollars more prior to the last disbursement which will be made for the fire apparatus.

In July of 2018, the City authorized the issuance of approximately \$18 Million for the first phase of the two-phase process for the approved CCIP for Fiscal Year 2019. The proceeds were invested in the Virginia SNAP program as well. Currently the proceeds through the SNAP program has earned approximately \$233,902 through January 31, 2019. It is anticipated that the funds, based on the first projected draw down, will earned an additional \$137,228 through the end of Fiscal Year 2019.

Discussion ensued with the financial advisors, Davenport & Company, LLC, regarding the ability of the City to utilize the interest earnings for projects identified in the CCIP as well as prior projects that require additional funding. Under the bond authorization, the City does have the ability to utilize the interest earnings for such projects. Based on this discussion, the City has identified four projects in which the interest earnings could be appropriated to the Capital Projects Fund which will provide pay-as-you go ability for these projects.

The four projects in which to appropriate the interest on bond proceeds towards is the expanded statement of work for the Real Estate Assessment Software per Resolution No. 5068 adopted January 14, 2019, a 2019 Freightliner Dump Truck (12-PW-001), a 2019 TL3 Lightning Knuckleboom Debris Truck (20-SW-001) and the combination of the Public Safety Building Feasibility Study (11-PS-003) along with the necessary consultant support for Master Infrastructure Plan. Attached for your consideration is the Ordinance appropriating the interest earnings towards the above stated projects.

Each fiscal year in which interest on bonds proceeds is earned; an ordinance to appropriate the funds to Capital Projects Fund will be presented to City Council for authorization. A separate agenda item to appropriate the Fiscal Year 2020 interest on bond proceeds will be considered during the upcoming budget process.

ORDINANCE NO. _____

**AN ORDINANCE APPROPRIATING ADDITIONAL FUNDS TO THE
GOVERNMENTAL FUND OF THE CITY OF POQUOSON, VIRGINIA
FOR FY 2019**

WHEREAS, the City invested the bond funds from the 2016 and 2018 issuance in the Virginia SNAP program managed by PFM Asset Management LLC,

WHEREAS, the City has the ability under the bond authorization to use the interest earning on the certain projects,

WHEREAS, the City has determine these projects based on the Constrained Capital Improvement Plan as well as the Master Infrastructure Plan,

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Poquoson, Virginia:

Section 1: That an additional \$384,800 in revenues in the Capital Projects Fund be and the same hereby are appropriated to the following for FY 2019.

CAPITAL PROJECTS FUND

Revenues:

Interest Earnings	<u>\$384,800</u>
TOTAL	<u>\$384,800</u>

Expenditures:

Real Estate Software	\$24,800
Dump Truck Replacement	152,000
Debris Truck	158,000
Public Safety/MIP Feasibility Study	<u>50,000</u>
TOTAL	<u>\$384,800</u>

Section 2: That the second reading of this ordinance is hereby dispensed with and the provisions contained herein shall become effective immediately upon adoption.

ADOPTED: _____

TESTE: _____

City Clerk