

City of Castle Hills – November 8, 2022 Special Election – Election to Authorize the Issuance of Certificate of Obligations (COs) - FAQs

City Council is asking voters to approve \$6 million in certificates of obligation (COs) for street and drainage repair. Here are the facts:

- Certain areas in Castle Hills are prone to flooding and affect the safety and welfare of the City's residents and guests. Additionally, residents have raised concerns about potential property damage related to flooding.
- Due to years of non-maintenance and decay of certain City streets, the streets are no longer candidates for repair. Instead, the selected streets must be reconstructed, which is more expensive than repairs.

Will the City's debt double if voters approve \$6 million in COs?

- No. The City issued \$7,995,000 in COs in 2020, and the proposed COs total \$6,000,000, so the City would not be doubling its debt.

Are property taxes the only source of revenue to repay the proposed COs?

- No. The City anticipates using revenue from its drainage fund to pay off the drainage portion of the 2022 COs. The street portion, \$3 million, would be repaid from the interest and sinking (I&S) portion of the City's property tax rate.

Are property taxes expected to increase?

- Not necessarily. The 2022 COs would take effect in calendar year 2024 and be incorporated in the tax rate adopted during the summer of 2023. Property tax bills due by January 31, 2024 would reflect the impact of debt service on the COs in light of next year's appraised values. The COs are expected to amortize over 20 years to mitigate any tax rate increase. Given rising property value, it is difficult to predict whether a tax increase will occur over the next 20 years if the COs are approved.

Will seniors be impacted?

- Not if they participate in the property tax "freeze" and do not improve their homes.

What is the estimated cost over time if voters approve \$6 million in COs?

- Estimated costs of repayment, including interest and consultant fees, are \$9.5 million. Exact costs cannot be determined until COs are priced.

Does the City have cash on hand for the proposed projects?

- No. The City's Street fund contains approximately \$1.2 million earmarked in the City's Capital Improvement Plan for mill and overlay projects. Due to the completion of the Banyan/Carolwood Phase II project, the 2020 CO fund contains approximately \$360,000 for future drainage projects. While there is approximately \$337,000 in the Community Infrastructure Economic Development Fund (CIED), these funds are earmarked for improvements to City Hall.

If the City has \$4.6 million in reserves, why not use them for streets and drainage?

- The reserves represent approximately 6 months of operating costs, which protects the City from future uncertainties and natural or man-made disasters. Recently, S&P Global affirmed the City's credit rating as AA, citing the reserves as a factor. This rating allows the City to borrow money at a lower interest rate.

Can American Rescue Plan Act (ARPA) funds be used to complete the street and drainage projects?

- Although funds from the American Rescue Plan Act (ARPA) can be used for infrastructure, for instance utility work (water/sewer) projects, and possibly minor drainage improvements related to the installation of culverts, the City's proposed street projects do not fit this category.
- The City received \$550,000 in ARPA funding last year and another \$550,000 this year. The City used \$297,000 last year to replace the City's aging Information Technology (IT) infrastructure, to buy an emergency generator for City Hall, and to renovate the Fire Department.
- In the budget recently adopted for fiscal year 2023, \$109,000 in ARPA funds will be used for Phase III Fire Department renovations, including equipment related to fire, emergency management, and public works.

Does the City collect \$800,000 annually from a special sales tax?

- No. The City receives approximately \$400,000 annually through a sales tax dedicated for street maintenance. 20% of digital billboard revenue is added to this amount to pay for street maintenance and some mill and overlay street projects. The sales tax for street maintenance cannot be used for drainage projects or for debt service.
- The City's drainage fund receives approximately \$390,000 annually from stormwater impact fees and 80% of digital billboard revenue. This fund pays for minor drainage projects and the debt service on the 2020 drainage COs.

Isn't there a surplus in the 2022 budget that was identified during the FY 23 budget hearings?

- No. \$629,728 was a projection that represented un-expended expenditures in the total general fund. This amount was not considered a surplus and was mainly due to employment vacancies at the time. A surplus would be identified once the fiscal year 2022 audit is completed next year by the City Auditor. If a surplus is identified, any surplus would be transferred to the Supplemental Street and Drainage Fund per Castle Hills Ordinance No. 1106.

Registered voters will be able to cast their election day ballots at any vote center identified on the County's website; the vote center in the City is Castle Hills City Hall (community room), 209 Lemonwood Drive, Castle Hills, TX 78213. Early voting by personal appearance is at the same location during these dates and hours:

- **October 24-28, 2022 • 8:00 am – 6:00 pm**
- **October 29, 2022 • 8:00 am – 8:00 pm**
- **October 30, 2022 • 12:00 pm – 6:00 pm**
- **October 31, 2022 • 8:00 am – 8:00 pm**
- **November 1-4, 2022 • 8:00 am – 8:00 pm**

