



NEWS RELEASE

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Certificates of Obligation

NACOGDOCHES, TX – During a series of City Council meetings held in November and December of 2021, department heads presented a variety of proposed Capital Improvement Projects (CIP) to Council Members. Almost \$200,000,000 worth of projects were presented during the 2021 CIP meetings which resulted in a breakdown of tier 1, tier 2, and tier 3 projects with tier 1 projects being of highest priority.

The current proposed budget includes \$39 million in capital projects to be funded from cash reserves in the City’s General Fund, Utility Fund, Sanitation Fund, Hotel Tax Fund and Street Maintenance Fund , as well as with Federal Grant money and proposed Certificates of Obligations backed by the General Revenue Fund. Citizens' taxes will not be increased due to the issuance of these Certificates of Obligation. The City currently has debt that will expire in September of this year, therefore the proposed Certificates of Obligation will be replacing expiring debt. This will cause the reissuance of the same debt payment and will not affect the taxes that residents currently pay.

In April of 2022, the City Council gave the City Manager and Director of Finance direction to proceed with the issuance of Certificates of Obligation (COs) in the amount of approximately \$20,000,000 to fund various capital improvement projects that were deemed tier 1 projects. Based on proposed taxable values and current interest rates the City can issue up to \$21,100,000 in COs without raising the City’s property tax debt rate.

Per the State Comptroller’s website “COs often are associated with emergency spending, but their use isn’t restricted to such purposes. They can be used to fund public works as part of standard local government operations.” These certificates also provide the local government the



flexibility of reacting quickly to take advantage of a low interest rate environment. Conventional bonds can take well over a year to gain approval before funds become available for various projects.

The proposed CO addresses tier 1 capital improvement projects which include the construction of a Central Fire Station, park restrooms, park playgrounds, critical storm system reconstruction, annual storm system repairs and City-wide street rebuild. Details on each project are outlined below:

- Central Fire Station construction - This project will allow for the relocation and consolidation of Fire Stations 2 and 5 into a more centrally located area in close proximity to Downtown Nacogdoches. Stations 2 and 5 are each 70 years old and do not provide adequate space and facilities for our firefighters to function effectively, nor do they provide many of the health and safety features of modern fire stations. The City of Nacogdoches places the utmost importance on the health and safety of our first responders as well as our ability to efficiently respond to emergencies in our town. A fire station relocation study was conducted to determine the feasibility of moving from five fire stations to four fire stations while still providing the same service to our City. This study was presented to the City Council in March of 2021 and has been presented to community groups over the past year. By reducing the number of stations while maintaining the same number of firefighters we will be able to increase the minimum number of firefighters on each fire engine from 2 to 3, enabling them to effectively do their job when they arrive at an emergency. The cost of this project is \$8,080,000 including land acquisition, design and construction.
- Park restrooms - The current park restrooms at Banita Creek, Mill Pond, McCrimmon, Ritchie Street and Lake Nacogdoches West parks were built in the 1970s and early 1980s. Most of these restrooms are in extremely poor condition or are no longer functional and some have been closed to the public. The proposed restrooms would allow us to provide adequate, functional and ADA compliant restrooms to our residents. Five restrooms are



budgeted at \$1,320,000. The need for more and better restrooms in the parks was a common topic during the development of the Parks, Recreation and Trails Master Planning process, written in 2017.

- Park playgrounds - This project includes the design and construction of a new playground at Robert McCrimmon Park and Mill Pond Park park. These two playgrounds, located in the Southeast Ward, were installed in the 1980s and have not been updated since that time. This budget item will allow us to upgrade our playgrounds to equipment similar to the new playgrounds at Pioneer Park, Pecan Park and Banita Creek Park. The costs of these two items are \$480,000.
- Storm system repairs and replacement - There are currently over 21 storm drainage projects needed across the City, with seven projects that are already designed and are shovel ready. \$5,000,000
- City-wide street repairs - This project will bring approximately 60 of our worst streets up to a level where they only require normal maintenance for a number of years. \$5,000,000

At the July 19, 2022 City Council meeting, Council approved a resolution to set the intent to issue the Certificate of Obligation or COs which is one of the first steps in the legal process. Funding these projects will align with the City Council's priority of improving the City's infrastructure needs.

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