

AGENDA



Thursday, November 19, 2009

**Transportation
RECOMMENDATION FOR COUNCIL ACTION****Item No. 56**

Subject: Approve a resolution declaring the City of Austin's official intent to reimburse itself from Certificates of Obligation in the amount of \$13,000,000 related to the construction of direct connectors for Northbound Loop 1 to Eastbound US 290 and Westbound US 290 to Southbound Loop 1.

Amount and Source of Funding: \$13,000,000 in Certificates of Obligation to be issued in August 2010 or later. Related to Items #55 & 57.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Greg Canally, Deputy Chief Financial Officer, 974-2609.

A city must have budgeted for and provided a source of funds in order to enter into a contract. For the City to spend money today, but reimburse itself from the issuance of debt obligations in the future, state and federal law require the City to issue a reimbursement resolution. Failure to adopt a qualified declaration of official intent will prohibit the City from reimbursing the cost of this project with the proceeds of tax-exempt obligations.

The resolution must contain certain information to protect the tax-exempt status of the future debt issuance. The reimbursement resolution must be adopted not more than 60 days after the date that a project expenditure is made or incurred. The tax exempt obligations must be issued not later than 18 months after the date that the expenditure was made, or if later, the date that the project with respect to which the expenditure was made, is placed in service, but in no case, no more than three years after the date that a project expenditure subject to the reimbursement is paid.

This action expresses the City Council's intent to authorize reimbursement for costs included in the 2009-2010 Amended Capital Budget with Certificates of Obligation in the amount of \$13,000,000 for the construction of direct connectors for Northbound Loop 1 to Eastbound US 290 and Westbound US 290 to Southbound Loop 1 as part of a pass through finance agreement with the Texas Department of Transportation. On September 24, 2009, the Texas Transportation Commission approved the City of Austin's application to construct two direct connectors at US 290 and Loop 1 (Minute Order #111977). TxDOT agrees to fund 80 percent of the construction cost (approximately \$10 million) and the City of Austin agrees to fund 20 percent (approximately \$3 million). The City of Austin must initially finance the entire project and TxDOT will then pay back the City of Austin the agreed-upon 80 percent of the construction cost over a 10 to 15 year period.

The City will issue debt with a term of ten years to fund both the TxDOT responsibility (80 percent) and the City-required match (20 percent) for the project. The City will be responsible for funding approximately \$3 million in interest costs. The City will also be responsible for any project cost overruns beyond the estimated construction cost, utility relocation and interest payments for bonds sold to finance the project.