

AGENDA



Thursday, September 23, 2010

**Financial and Administrative Services
RECOMMENDATION FOR COUNCIL ACTION****Item No. 22**

Subject: Approve a resolution approving issuance by Northtown Municipal Utility District of Unlimited Tax and Revenue Refunding Bonds, Series 2010, in a principal amount not to exceed \$5,895,000; approving a substantial draft of the District's Bond Resolution and Preliminary Official Statement.

Amount and Source of Funding: The City is not responsible for payment of District bond debt service until dissolution of the District. Once the dissolution of the District takes place, the avoided debt service associated with the refunding would also benefit the City of Austin. There is no anticipated fiscal impact. A fiscal note is not required.

For More Information: Art Alfaro, Treasurer 974-7882

The Northtown Municipal Utility District was created in 1985. Its approximately 1224 acres lie just east of Interstate 35 between Austin and Pflugerville. The district includes the Northtown Park, Meadow Pointe, Wildflower, Settler's Meadow (The Trails at Sunset Ridge), The Lakes at Tech Ridge, and Brookfield neighborhoods, a new elementary school, several parks and ponds, a hike and bike trail, and other areas. Future development may include The Village at Northtown neighborhood, more multi-family residences, light retail, and a fire/EMS station. Northtown Municipal Utility District, has proposed a refunding bond issue to reduce annual debt service requirements. Proceeds of the issue will be used to acquire water and wastewater facilities from the developer and to refund and redeem \$5,895,000 outstanding Unlimited Tax and Revenue Bonds, Series 2001, 2002, and 2003. The net present value savings for this transaction is currently projected to be \$318,150.71 or 5.40% of the principal amount of the refunded bonds. The projected present value savings due to the reduced market interest rates meets the City's target guideline of a 4.25% savings for its own bond refundings. Since the actual amount of savings is dependent on the terms of the sale, approval is requested for this transaction at a minimum present value savings of 4.25%, to allow for market fluctuations.

The District will realize average annual debt service savings of over \$25,680 through the remaining term of the refunded bonds, which does not extend past the term of the existing debt. The City is not responsible for debt service on the District's Bonds. Furthermore, the City would benefit from the debt service savings associated with the refunding once the District is dissolved.

The City's Financial and Administrative Services Department and the City's Financial Advisor have reviewed the proposed refunding and recommend approval of the District's proposed refunding of Series 2010 District Bonds, subject to the following conditions:

- average annual debt service savings is approximately level throughout the life of the bonds; and
- review and approval of the final offering documents by the Chief Financial Officer's designee.