

AGENDA



Recommendation for Council Action

Austin City Council		Item ID	8304	Agenda Number	93.
Meeting Date:	8/25/2011		Department:	Treasury	
Subject					
Approve an ordinance authorizing the issuance of \$51,150,000 in City of Austin Certificates of Obligation, Series 2011, and all related documents, and approve related fees. These funds will be used for environmental remediation projects, transportation projects, street improvements, and the Waller Creek Tunnel Project.					
Amount and Source of Funding					
\$3,042,500 for the first year debt service requirement and an estimated annual administration fee of \$400 for the paying agent/registrar for the proposed Certificate of Obligation sale is included in the 2011-2012 Proposed Operating Budget of the General Obligation Debt Service Fund.					
Fiscal Note					
There is no unanticipated fiscal impact. A fiscal note is not required.					
Purchasing Language:					
Prior Council Action:	Council approved Reimbursement Resolutions related to this issuance on 11/5/09 and 9/13/10; Council approved the Notice of Intention to Issue Certificates of Obligation on 6/23/11; Council approved the Bond Sale Schedule on 7/28/11.				
For More Information:	Art Alfaro, Treasurer 974-7882				
Boards and Commission Action:					
MBE / WBE:					
Related Items:					
Additional Backup Information					

On June 23, 2011, Council authorized publication of an Official Notice of Intention to Issue Certificates of Obligation. The financing of the projects is consistent with the City's Financial Policies for the use of non-voter approved debt listed in Attachment A. See Attachment B for the schedule of project costs and useful lives.

Highlights of the proposed Certificates of Obligation sale include:

- Harold Court Remediation, \$6,350,000
- Rosewood & Loop 360 Landfill Remediation, \$2,300,000
- Transportation Projects / Street Improvements, \$7,500,000
- Waller Creek Tunnel, \$35,000,000

The entire amount of Certificates of Obligation is being issued to provide funding for reimbursement resolutions previously approved by Council. Reimbursement resolutions declare an issuer's official intent to reimburse a project expenditure with the proceeds of obligations to be issued after the expenditure is incurred. The action is required by the IRS and Treasury rules. The City generally submits reimbursement resolution for Council consideration as part of the annual budget adoption in September, the same time as the new capital appropriations are adopted.

Electronic bids will be accepted beginning at 9:00 a.m. Central Daylight Time (CDT) and ending at 9:30 a.m. CDT, on Thursday, August 25, 2011. Bids will be verified by the City's Financial Advisor, Public Financial Management, Inc.

This item is posted for not later than 2:00 p.m. to allow Council action prior to the close of financial markets.

The Debt Service Cost for the \$51,150,000 issuance is estimated as follows:

	<u>2011-2012</u>	<u>Total Cost over 20 Years</u>	<u>Average Per Year</u>
Principal	\$ 485,000	\$51,150,000	\$1,705,000
Interest	<u>2,557,500</u>	<u>44,054,250</u>	<u>1,468,475</u>
Total Debt Service	\$3,042,500	\$95,204,250	\$3,173,475

Of the \$51,150,000, \$7,500,000 will be tax supported and \$43,650,000 will be self-supporting debt paid by transfers to the General Obligation Debt Service Fund from City operating and tax increment financing funds.

ATTACHMENT A

FINANCIAL POLICIES

POLICY

1. It is the City's priority to fund capital expenditures with cash or voter approved debt. However, non-voter approved debt may be used for capital expenditures as an alternative to lease/purchase or other financing options if capital expenditure is:
 - * Urgent,
 - * Unanticipated,
 - * Necessary to prevent an economic loss to the City,
 - * Revenue generating, resulting in an economic gain to the City within a reasonable time, or
 - * Approved and budgeted for financing in the annual budget, and
 - * Non-voter approved debt is the most cost effective option available.

STATUS

The projects were included in the 2010-2011 Amended Capital Budget or are included in the proposed 2011-2012 Capital Budget. Certificates of Obligation provide the most cost-effective option available.

POLICY

2. The average maturity of non-voter approved debt shall not exceed the average life of the capital items financed.

STATUS

It is anticipated that this issue of Certificates of Obligation will have an average maturity of less than thirteen years. The minimum life of the projects is in excess of thirteen years.

POLICY

3. Capital items financed with non-voter approved debt shall have a value of at least \$10,000 and life of at least four years.

STATUS

All items are in compliance.

ATTACHMENT B

PROJECTS PROPOSED FOR FINANCING

<u>Description</u>	<u>Approximate Cost</u>	<u>Useful Life</u>
1. Harold Court Environmental Remediation	\$ 6,350,000	20 years
2. Rosewood and Loop 360 Environmental Remediation	\$ 2,300,000	20 years
3. Transportation Projects/Street Improvements	\$ 7,500,000	20 years
4. Waller Creek Tunnel Project	\$ 35,000,000	30 years

Of the \$51,150,000 that is being issued, Debt Service for \$43,650,000 will be funded by transfers from operating funds and the other \$7,500,000 will be tax supported.