

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	26291	Agenda Number	90.
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Meeting Date:	8/29/2013	Department:	Treasury
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Subject

Approve an ordinance authorizing the issuance of City of Austin Certificates of Obligation, Series 2013 in an amount not to exceed \$25,355,000, authorizing all related documents, and approving related fees. These funds will be used for environmental remediation projects and the Waller Creek Tunnel Project.

Amount and Source of Funding

\$1,024,200 for the first year debt service requirement and estimated annual administration fee of \$500 for the paying agent/registrar for the proposed Certificate of Obligation sale is included in the 2013-14 Proposed Operating Budget of the General Obligation Debt Service Fund.

Fiscal Note

Purchasing Language:	
Prior Council Action:	Council approved the notice of intention to issue certificates on 06/27/13; and the Bond Sale Schedule on 08/08/13
For More Information:	Art Alfaro, Treasurer 974-7882
Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

State law requires that an Official Notice of Intention to Issue Certificates of Obligation be published once a week for two consecutive weeks with the date of the first publication occurring at least 31 days prior to the sale of Certificates of Obligation by the City. These notices were published July 8th and July 15th, 2013. The \$25.355 million in Certificates of Obligation are to fund existing project appropriations that were approved with reimbursement resolutions, in accordance with financial policies. These projects include:

Environmental Remediation of Harold Court Service Center - \$355,000

This project will undertake clean-up and slope stabilization at this service center site used by Austin Water Utility, Watershed Protection, Public Works, and Fleet for operations. The project was approved as part of the Fiscal Year (FY) 2011 and 2012 Capital Budgets. Debt service will be funded by transfers from these enterprise funds.

Waller Creek Tunnel Project - 25,000,000

This is the third of several planned bond sales related to the approximately \$100 million portion of the Waller Creek tunnel project that will be funded by Certificates of Obligation, of which \$67.3 million has already been appropriated as part of the FY 2012 Approved Capital Budget. In 1998, an election was held in the City, and voters approved a proposed tunnel project as a venue project. Venue project bonds in the principal amount of \$25,000,000 were authorized for the Waller Creek Tunnel Project. In 2000, engineering consultants retained by the City to perform the preliminary engineering for the Waller Creek Tunnel Project provided cost estimates for three versions of the Waller Creek Tunnel Project, and determined that the cost estimates to construct each of the three versions of the Waller Creek Tunnel Project substantially exceeded the \$25,000,000 in venue project bonds authorized. No venue project bond proceeds were expended for the actual construction of the Waller Creek Tunnel Project. As a result, the Waller Creek Tunnel Project has evolved and changed in scope from the project envisioned in 1998. The Waller Creek Tunnel Project now consists of a storm water bypass tunnel to be constructed from 12th Street at Waterloo Park to Lady Bird Lake just upstream of the mouth of Waller Creek. Among the more notable changes from the preliminary plans, the tunnel will vary in diameter from approximately 20 feet to 26 feet and will be approximately 5,600 feet in length; creek side inlets are proposed between 4th and 5th Streets and between 8th and 9th Streets to capture additional flood waters below 12th Street; the inlet facility has been moved nearer to 12th Street; the inlet structure and the pump house building will be combined; and the outlet facility also has been redesigned to address water flood control issues. In 2007, the City approved an ordinance creating Tax Increment Financing Reinvestment Zone No. 17 ("Zone No. 17") to finance the construction of flood control improvements along lower Waller Creek. It is anticipated that tax increment revenues collected within Zone No. 17 will be used to defray the debt service on the Certificates of Obligation issued for the Waller Creek Tunnel Project.

On June 27, 2013, Council authorized publication of an Official Notice of Intention to Issue Certificates of Obligation. The financing of the projects is consistent with the 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 life.

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 resolutions for Council consideration as part of the annual budget adoption in September, the same time as the new capital appropriations are adopted.

It is anticipated that 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 29, 2013. 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 City Council action prior to the close of financial markets.

The debt service cost for the \$25,355,000 issuance is estimated as follows:

	<u>2013-14</u>	<u>Total Cost over 25 Years</u>	<u>Average Per Year</u>
Principal	\$ 10,000	\$25,355,000	\$1,014,200
Interest	<u>1,014,200</u>	<u>15,872,800</u>	<u>634,912</u>
Total Debt Service	\$1,024,200	\$41,227,800	\$1,649,112

The \$25,355,000 will be self-supporting debt paid by transfers to the General Obligation Debt Service Fund from City operating and tax increment financing funds.