

A G E N D A



Recommendation for Council Action

Austin City Council

Item ID

26293

Agenda Number

91.

Meeting Date:

8/29/2013

Department:

Treasury

Subject

Approve an ordinance authorizing the issuance of City of Austin, Public Property Finance Contractual Obligations, Series 2013 in an amount not to exceed \$51,240,000, authorizing related documents, and approving related fees. Contractual obligations will be used to finance the purchase of equipment for Austin Resource Recovery, Austin Transportation, Communications & Technology Management, Financial Services Department, Fire, Fleet, Police, Public Works, and Austin Water Utility. The financing of this equipment is consistent with the Financial Policies for non-voter approved debt as noted in Attachment A which is back-up to this request for Council action.

Amount and Source of Funding

\$4,104,800 in the first year debt service requirement and an estimated annual administration fee of \$500 for the paying agent/registrar for the proposed contractual 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 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

Contractual Obligations will be used to finance equipment for several City departments. The financing of equipment is consistent with the Financial Policies for the use of non-voter approved debt that are noted in Attachment A. See Attachment B for the description of personal property to be financed, equipment costs and useful lives. Annual debt service funding for the Contractual Obligations is to be provided by a combination of property taxes and transfers into the General Obligation Debt Service Fund from issuing departments.

Contractual Obligations do not require voter approval and there is no provision in state law for notice or petition. Contractual Obligations may only be issued for the purchase of personal property. The City generally limits Contractual Obligations to property with a minimum life expectancy of 5 years.

The Contractual Obligation sale totals \$51,240,000, for the following:

- Austin Resource Recovery \$13,000,000
- Austin Transportation Department \$635,000
- Communications and Technology Management \$5,355,000
- Fire \$2,865,000
- Fleet \$10,850,000
- FSD for City-Wide \$2,575,000
- Police \$3,745,000
- Public Works \$9,210,000
- Water and Wastewater Utilities \$3,005,000

Of the \$51,240,000 in Contractual Obligations that is being issued, \$16,755,000 is being issued to provide funding for reimbursement resolutions that have already been approved by Council during previous fiscal years. 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 IRS and U.S. 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. The remaining \$34,485,000 is associated with equipment included in the proposed 2013-14 Capital Budget.

It is anticipated that electronic bids will be accepted beginning at 9:30 a.m., Central Daylight Time ("CDT"), and ending at 10:00 a.m., CDT, on Thursday, August 29, 2013. Bids will be verified by the City's Financial Advisor, Public Financial Management, Inc.

This item has been 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 \$51,240,000 issuance is estimated as follows:

	2013-14	Total Cost over 7 Years	Average Per Year
Principal	\$ 3,080,000	\$51,240,000	\$7,320,000
Interest	<u>1,024,800</u>	<u>6,232,425</u>	<u>890,346</u>
Total Debt Service	\$ 4,104,800	\$57,472,425	\$8,210,346

Of the \$51,240,000 that is being issued, \$25,390,000 is tax supported and \$25,850,000 is self-supporting debt paid by transfers to the General Obligation Debt Service Fund from operating funds of issuing departments.