

A G E N D A



Recommendation for Council Action

Austin City Council - Commissioners Court Meeting	Item ID	34868	Agenda Number	106.
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Meeting Date:	8/28/2014	Department:	Treasury
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Subject

Approve an ordinance authorizing the City of Austin, Texas, Certificates of Obligation, Series 2014, in an amount not to exceed \$40,450,000, authorizing related documents, and approving related fees. These bonds will be used for the Waller Creek Tunnel Project, Loop 1/290 connectors transportation project, and for the Watershed Home Buyout Program.

Amount and Source of Funding

\$3,050,250 in anticipated first year debt service requirements and an estimated annual administration fee of \$500 for the paying agent/registrar for the proposed bond sale was included in the Fiscal Year 2014-2015 Proposed Operating Budget of the General Obligation Debt Service Fund.

Fiscal Note

A fiscal note is not required.

Purchasing Language:	
Prior Council Action:	Notice of intention to issue certificates was approved by City Council on 06/26/2014; the Bond Sale Schedule was approved by City Council on 08/07/2014
For More Information:	Art Alfaro, Treasurer, 974-7882
Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

On June 26, 2014, Council authorized publication of an Official Notice of Intention to Issue Certificates of Obligation. 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 the Certificates of Obligation by the City. These notices were published July 7, 2014 and July 14, 2014. The \$40,450,000 in Certificates of Obligation is to fund existing project appropriations that were approved with reimbursement resolutions, in accordance with financial policies, as described below:

Waller Creek Tunnel Project - 25,000,000

This is the fourth bond sale related to the approximately \$100 million portion of the Waller Creek tunnel project that will be funded by Certificates of Obligation. 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. The August 2014 bond sale will include up to \$25 million in Certificates of Obligation for this project. These Certificates of Obligation are expected to mature no later than 20 years from the date of issuance.

Loop 1/ 290 Connectors - \$450,000

The Loop 1/290 connector project will construct direct connectors for Northbound Loop 1 to Eastbound US 290 and Westbound US 290 to Southbound Loop1.

Watershed Home Buyout Program - \$15,000,000

The August 2014 bond sale will include up to \$15 million in Certificates of Obligation for this project. This program is for the buyout and demolition of single family houses in the floodplain of Onion Creek near the intersection of South Pleasant Valley Road and East William Cannon Boulevard.

The entire \$40,450,000 of Certificates of Obligation is being issued to provide funding for reimbursement resolutions that have been 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 may have been incurred. The action is required by IRS and U.S. Treasury rules. The City generally submits reimbursement resolutions for Council consideration as a part of the annual budget adoption in September, the same time as the new capital appropriations are adopted, or at the time of a capital budget amendment for a particular project.

The Debt Service cost for the \$40,450,000 Certificates of Obligation Series 2014 issuance is estimated as follows:

	2014-15:	Total Over 20 Years:	Average Per Year
Principal	\$1,230,000	\$40,450,000	\$2,022,500
Interest	<u>1,820,250</u>	<u>22,015,750</u>	<u>1,100,788</u>
Total Debt Service	\$3,050,250	\$62,465,750	\$3,123,288

Of the \$40,450,000 that is being issued, \$450,000 is tax supported and \$40,000,000 is self-supporting debt paid by transfers to the General Obligation Debt Service Fund from operating funds of issuing departments.

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 transaction will be sold through the following underwriting team:

Senior Manager: RW Baird Co-Senior Manager: Cabrera Capital Markets

Co-Managers:

BOSC

First Southwest

Goldman Sachs

Hutchinson, Shockey, Erley

Rice Financial Markets

Stifel Nicolaus

For this transaction, Andrews Kurth, L.L.P. will serve as bond counsel, McCall, Parkhurst & Horton L.L.P. will serve as disclosure counsel, and serving as underwriter's counsel will be Haynes & Boone. Public Financial Management is the City's financial advisor.