

A G E N D A



Recommendation for Council Action

Austin City Council		Item ID	60715	Agenda Number	33.
Meeting Date:	8/18/2016		Department:	Treasury	
Subject					
Approve an ordinance authorizing the issuance and sale by February 18, 2017, of City of Austin Public Improvement and Refunding Bonds, Series 2016, in an amount not to exceed \$108,810,000 in accordance with the parameters set out in the ordinance, authorizing related documents, and approving related fees.					
Amount and Source of Funding					
For the new money bonds, \$10,815,500 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 2016-17 Proposed Operating Budget of the General Obligation Debt Service Fund. These bonds are being issued to provide funding relating to reimbursement resolutions previously approved by Council for projects funded with proceeds from the 2012 bond election. The funds will be used for health and human services facilities, library facilities, parks and recreation projects, public safety facilities, and transportation and mobility infrastructure.					
Fiscal Note					
Information pertaining to the fiscal impact of this item is found under the “Amount and Source of Funding” and “Additional Backup Information” sections.					
Purchasing Language:					
Prior Council Action:	Reimbursement Resolutions approved by City Council on 09/12/11, 09/09/12, 05/09/13, 09/09/13, 09/11/13, and 11/24/13. 05/16/16 presented update on General Obligation Bond Sale to Audit and Finance Committee.				
For More Information:	Art Alfaro, Treasurer, 512-974-7882				
Council Committee, Boards and Commission Action:					
MBE / WBE:					
Related Items:					

Additional Backup Information

Approval of this ordinance will authorize the issuance of up to \$108,810,000 in City of Austin Public Improvement and Refunding Bonds, Series 2016, consisting of up to \$57,000,000 in refunding bonds and up to \$51,810,000 in new money bonds as follows:

Election Year	Description	New Money Amount
2012	Health and Human Services Facility Improvements	\$205,000
2012	Library Facility Improvements	1,325,000
2012	Parks and Recreation	18,755,000
2012	Public Safety Facility Improvements	2,345,000
2012	Streets/Signals/Mobility	29,180,000
		<u>\$51,810,000</u>

The entire \$51,810,000 in new money Public Improvement Bonds is being issued to provide funding for reimbursement resolutions that were previously approved by Council. Reimbursement resolutions declare an issuer's official intent to reimburse a project's 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 and state law. 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 General Obligation Debt Service cost for the new money bond issuance of \$51,810,000 is estimated as follows:

	2016-17:	Total Over 20 Years:	Average Per Year
Principal	\$8,225,000	\$51,810,000	\$2,590,500
Interest	<u>2,590,500</u>	<u>25,271,250</u>	<u>1,263,563</u>
Total Debt Service	\$10,815,500	\$77,081,250	\$3,854,063

In addition to the new money bonds described above, approval of this ordinance will authorize the issuance of up to \$57,000,000 in refunding bonds. Due to current favorable conditions in the municipal bond market, the City's financial advisor, Public Financial Management, has advised that refinancing, or "refunding" certain maturities from the City's Certificates of Obligation, Series 2008, as well as Public Improvement Bonds, Series 2008, may result in present value savings (lower debt service costs) that exceed the City's target guideline of 4.25% of the refunded bonds. Using interest rates as of July 20, the transaction produced \$8.2 million in present value savings or 12.8%. The new bonds are known as "refunding" bonds.

In order to provide the City with the flexibility to respond quickly to changing market conditions, the proposed ordinance delegates the authority to the City Manager or Chief Financial Officer (the "Pricing Officer") to complete the sale of the bond transaction in accordance with the parameters in the ordinance. Additionally, the authority of the Pricing Officer to exercise the authority delegated by Council under this ordinance expires on February 18, 2017.

This transaction will be sold through the following underwriting team:

Senior Manager:
Wells Fargo Securities, LLC

Co-Managers:
Estrada Hinojosa & Co. Inc.
Hilltop Securities Inc.
Piper Jaffray & Co.
Raymond James & Associates
Robert W. Baird & Co.

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