



**TO:** Mayor and Council Members

**FROM:** Greg Canally, Deputy Chief Financial Officer *gdc*

**DATE:** August 15, 2016

**SUBJECT:** Bond Sale items on 8/18 City Council Agenda

---

The August 18<sup>th</sup> City Council agenda contains five council action items for the City's annual general obligation debt bond sale:

- **Item 31 Public Improvement Bonds (Taxable).** \$12,000,000 in taxable public improvement bonds from the voter-approved November 2013 bond election for affordable housing (\$10 million) and from the voter approved November 2012 bond election for the Austin Film Studios (\$2 million).
- **Item 32 Contractual Obligations.** \$25,070,000 in public property contractual obligations to fund the purchase of capital equipment for Communications & Technology Management (CTM) and vehicles for various City departments.
- **Item 33 Public Improvement & Refunding Bonds.** This action contains \$51,810,000 in tax-exempt new public improvement bonds from voter-approved November 2012 bond election for Health and Human Services, Library, Parks & Recreation, Public Safety, and Street/Traffic Signals/Mobility capital projects; and also contains up to \$57,000,000 in refunding bonds that will allow the City to take advantage of favorable conditions in the municipal bond markets to achieve savings in excess of 4.25% present value savings (in accordance with financial policies) by refinancing or "refunding" certain maturities from prior annual Public Improvement Bond sales. Refunding bonds do not extend the term of the original debt issuance.
- **Items 34 & 35 Certificates of Obligations.** \$53,550,000 in Certificates of Obligations (Item 34) related to the New Central Library and the flood-related home buyout program; and \$8,700,000 in taxable Certificates of Obligation (Item 35) for the Seaholm Parking Garage.

The agenda also contains an item for refunding bonds:

- **Item 36 Venue Refunding Bonds.** Up to \$31,000,000 in refunding bonds for the Town Lake Park Community Events Center (Palmer Events Center). Refunding bonds do not extend the term of the original debt issuance.

As presented during the briefing to the Audit & Finance Committee on May 16<sup>th</sup>, 2016, the approval of bond sales is one of the last of a series of steps the City Council takes regarding debt – including the calling of a bond election, appropriations in the capital budget and associated reimbursement resolutions, and contract awards.



As a reminder, the City has various types of general obligation debt. Public Improvement Bonds (PIBs) are bonds approved by voters via bond elections, and have 20 year terms. Certificates of Obligations (COs) also have 20 year terms, are non-voter approved and are used for real property acquisition and other capital needs identified off-cycle from bond elections. Contractual Obligations (KOs) are used to fund major capital equipment, and have an average term of 7 years.

Each general obligation issuance is backed a pledge of ad valorem property taxes. The City has achieved the highest possible bond credit ratings of "AAA" from Fitch Ratings, Moody's Investors Service, and Standard & Poor's. These "AAA" credit ratings allow the City to borrow debt at lower interest rates, keeping interest costs at a minimum.

Each of these six bond sale items are "parameter" bond sales, that is, the bond sales will take place subsequent to the date Council authorizes the transaction in accordance with parameters specified in the bond ordinance. This method provides the City the flexibility to quickly respond to changing market conditions, by delegating authority to the City Manager or Chief Financial Officer ("the Pricing Officer") to complete the sales at a time when market conditions are most favorable to the City. The City's Financial Advisor, Public Financial Management, and the underwriting teams expect to go to market in early September for these transactions. Approval of these items on the August 18<sup>th</sup> agenda is necessary to achieve this bond sale timeline.

All of the public improvement bonds and certificates of obligations (Items 31, 33, 34, 35) sales are to support reimbursement resolutions *previously approved* by the City Council, which support capital appropriations already approved by the City Council. Reimbursement resolutions are a cash-management tool used in compliance with City financial policies as well as the Internal Revenue Service and U.S. Treasury rules and regulations that allow the City to begin capital projects by declaring that an issuance of bonds will take place at some point in the future to fund the projects. An advantage of this tool is that the cash flow needs of the projects can be matched to the issuances of the supporting bonds. Reimbursement resolutions are typically submitted to City Council for consideration along with a new appropriation for the capital budget, generally as part of the annual budget adoption in September, or for a specific project budget amendment during the year.

Of the Contractual Obligations (Item 32), \$8,600,000 is to support previous reimbursement resolutions for equipment for CTM and \$16,470,000 is for vehicles that are included in the proposed FY2016-17 Capital budget.

Item 36 is for the issuance of up to \$31,000,000 in venue refunding bonds for the Town Lake Park Community Events Center Venue (Palmer Events Center). As background, in November 1998, Austin voters approved Proposition No. 11, authorizing the financing, development and construction of the Town Lake Park Community Events Center (Palmer Events Center), parking facilities, and an urban cultural park in the area with a 5% short-term motor vehicle tax rental tax. In 1999, the City issued \$40 million in bonds for this project. The 131,000 square foot multi-purpose events center operated by the Convention Center, opened in June 2002.

As mentioned above, on May 16<sup>th</sup>, the Audit and Finance Committee received a briefing on these planned bond sales, and approved the required Official Notice of Intent to Issue Certificate of Obligations. On June 9<sup>th</sup>, the City Council also approved this Official Notice of Intent.

Staff is available to answer any questions you may have. Information about the City's debt, including Official Statements dating back to 1999 can be found on Austin Finance Online ([https://www.austintexas.gov/financeonline/finance/financial\\_docs.cfm?ws=1&pq=3](https://www.austintexas.gov/financeonline/finance/financial_docs.cfm?ws=1&pq=3)). Additional information on the City's debt position can be found beginning on page 763 of Volume II of the FY 2016-17 Proposed Budget document.

xc: Marc A. Ott, City Manager  
Elaine Hart, Chief Financial Officer  
Ed Van Eenoo, Deputy Chief Financial Officer  
Art Alfaro, Treasurer  
Georgia Sanchez, Deputy Treasurer  
Dennis Waley, Public Financial Management