

AGENDA



Recommendation for Council Action

Austin City Council - Commissioners Court Meeting	Item ID	34870	Agenda Number	108.
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Meeting Date:	8/28/2014	Department:	Treasury
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Subject

Approve an ordinance authorizing the City of Austin Public Property Finance Contractual Obligations, Series 2014, in an amount not to exceed \$15,800,000, and approving all related documents, and related fees. Contractual obligations will be used to finance the purchase of equipment for Austin Transportation, Austin Water Utility, Communications Technology Management, and Public Works.

Amount and Source of Funding

\$1,261,000 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 2014-15 Proposed Operating Budget of the General Obligation Debt Service Fund.

Fiscal Note

A fiscal note is not required.

Purchasing Language:	
Prior Council Action:	Bond Sale Schedule 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

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.

The Contractual Obligation sale totals \$15,800,000, for the following:

- Austin Transportation Department \$1,845,000
- Austin Water Utility \$900,000

-Communications Technology Management \$10,755,000

-Public Works \$2,300,000

Of the \$15,800,000 in Contractual Obligations that are being issued, \$11,887,000 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 remaining \$3,913,000 is associated with equipment included in the proposed 2014-2015 Capital Budget.

The Debt Service cost for the \$15,800,000 Contractual Obligations Series 2014 issuance is estimated as follows:

	2014-15:	Total Over 7 Years:	Average Per Year
Principal	\$945,000	\$15,800,000	\$2,257,143
Interest	<u>316,000</u>	<u>2,203,750</u>	<u>314,821</u>
Total Debt Service	\$1,261,000	\$18,003,750	\$2,571,964

Of the \$15,800,000 that is being issued, \$10,755,000 is tax-supported and \$5,045,000 is self-supporting debt paid by transfers to the General Obligation Debt Service Fund from operating funds of issuing departments. Attachment B provides the details of the items, by department, to be funded with the issuance of these contractual obligations.

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.
