



Briefing on Upcoming Bond Sales

*Audit & Finance Committee
May 27, 2015*

Financial Services Department



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Briefing Agenda

- Upcoming General Obligation Bond Sale
- Austin Water Utility Bond Refinancing



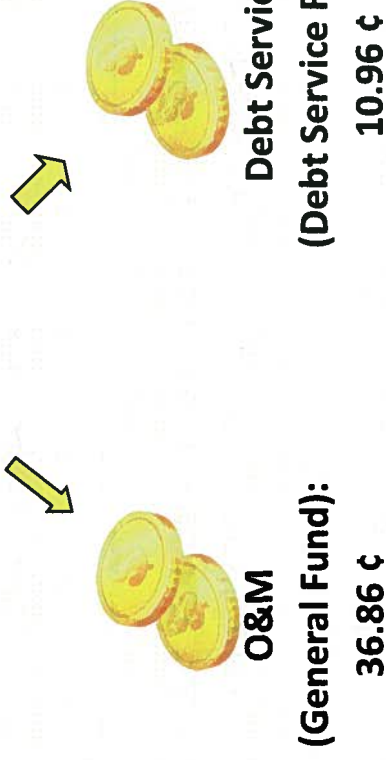
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AFCO
AUSTIN FINANCE COMPANY

General Obligation Debt

- Property Tax Rate has 2 components

Estimated FY16 Tax Rate: 47.82 ¢



- Debt service tax rate set each year at level necessary to fund principal and interest payments on debt that has been issued and pledged with property tax
- Estimated tax rate is for both existing debt service and for debt service associated with upcoming August bond sale



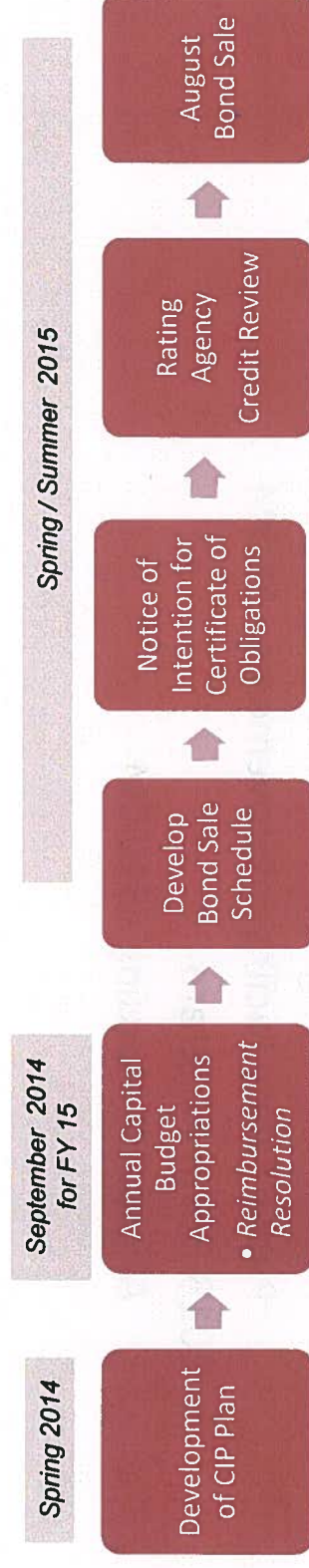
General Obligation (G.O.) Debt

- Public Improvement Bonds, Certificate of Obligation, and Contractual Obligations
 - \$1.0 billion in outstanding G.O. debt currently
 - Issued once per year in August prior to setting the tax rate
 - Revenue pledge – backed by property (ad valorem) and “full faith and credit” of the City
 - Debt service payments may be from either property tax (“tax supported”) or other revenue (“non-tax supported”)

Types of G.O. Debt	Purpose	Voter Approval	Term
Public Improvement Bonds (PIBs)	Capital improvement projects and capital assets	Yes	20 Years
Certificates of Obligation (COs)	Real property: land, buildings, right of way, construction of a public work	Not initially. Requires an election if a petition is signed by 5% of qualified voters.	10-20 Years
Contractual Obligations (KOs)	Personal property: equipment, machinery, vehicles, information technology	No	5-10 Years



Steps to Issuing Debt



- Work on upcoming August bond sale began in Spring 2014
- Majority of debt to be sold has already been appropriated
 - Use of Reimbursement Resolution allows us to begin project and sell debt at later date, consistent with IRS regulations
 - Results in lower interest costs
 - Consistent with Financial Policies regarding cash management
- Sale is complete in advance of FY 16 budget adoption



August Bond Sale

Preliminary

- Public Improvement Bonds (PIBs) - \$1114.6M
 - 2006 Bond Program
 - Central Library - \$43.2M
 - 2012 Bond Program
 - Street/Signals/Mobility - \$32.2M
 - Austin Film Studios - \$100K
 - Parks and Recreation - \$17.3M
 - Library Facility Improvements - \$715K
 - Health and Human Services Facilities Improvements - \$4.2M
 - Public Safety Facility Improvements - \$6.9M
 - 2013 Bond Program
 - Affordable Housing - \$10.0M



August Bond Sale

Preliminary

- Certificates of Obligation (COs) - \$80.7M
 - Building Improvements - \$5.0M
 - Central Library - \$12.5M
 - Golf Course Improvements - \$1.3M
 - Seaholm - \$30.3M
 - Waller Creek Tunnel - \$11.1M
 - Home Buyouts - \$20.5M
- Contractual Obligations (KOs) - \$16.1M
 - Communications and Technology Management - \$9.2M
 - Austin Water Capital Equipment - \$2.4M
 - Golf Capital Equipment - \$1.4M
 - Public Works Capital Equipment - \$2.5M
 - Austin Transportation Capital Equipment - \$695K



Notice of Intention

- **Statutory Requirement**
 - State law requires a Notice of Intention to Issue Certificates of Obligation be published no less than 31 days prior to the sale of the bonds
- **Non-Voter Approved Bonds**
 - Publishing the notice allows voters time to acquire a petition of 5% of qualified voters



Timeline

- June 4, 2015: *Council item*
 - Approval of publication of Notice of Intention for Certificates of Obligation
- July 2015: Preparation of Preliminary Official Statement
- August 2015: Rating Agency review of credit
- August 27, 2015: *Council Item*
 - Approval of General Obligation Bond Sale
- September 2015: Bond Closing





Austin Water 2015 Bond Refinancing

May 27, 2015

2015 Bond Refinancing*

- Refinancing Summary
 - Estimated Par Value: \$280 million
 - Debt Service Savings: \$72 million through 2020
 - Savings are targeted to reduce near term spikes in debt service
 - Net Present Value (NPV) debt service savings
 - \$20.5 million NPV debt savings or 6.7%
 - City Financial Policy calls for NPV savings of at least 4.25%

* Based on May 21, 2015 rates

2015 Bond Refinancing*

- Market conditions:
 - Could significantly impact savings, par value of sale, or feasibility of the bond sale
 - Would not proceed with sale if it did not achieve the 4.25% NPV savings
- Benefits:
 - Improve key financial metric: Debt Service Coverage Ratio
 - Creates level debt service over next five years

* Based on May 21, 2015 rates

2015 Bond Refinancing Timeline

- June 4, 2015: Council item
 - Parameter ordinance: allows for the sale of bonds within a specified period of time (typically within 180 days), giving flexibility should market conditions warrant changing the sale date
- June: Rating Agency presentations
- July: Bond Pricing
 - “Locks in” pricing and secures interest rates
- August: Bond Closing

