

AGENDA



Recommendation for Council Action

Austin City Council	Item ID	48048	Agenda Number	15.
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Meeting Date:	8/20/2015	Department:	Treasury
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Subject

Approve an ordinance authorizing the issuance and sale by February 20, 2016, of City of Austin Public Improvement and Refunding Bonds, Series 2015, in an amount not to exceed \$279,630,000 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, \$9,430,209 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 2015-16 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 2006 and 2012 bond election projects. The funds will be used for health and human services facilities, film studios, library facilities, parks and recreation projects, public safety facilities, and transportation and mobility infrastructure.

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

Purchasing Language:	
Prior Council Action:	Reimbursement Resolutions approved by City Council on 09/12/11, 09/09/12, 05/09/13, 09/09/13, and 01/23/14.
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 \$279,630,000 in City of Austin Public Improvement and Refunding Bonds, Series 2015, consisting of up to \$175,000,000 in refunding bonds and up to \$104,630,000 in new money bonds as follows:

Election Year	Description	Amount
2012	Health and Human Services Facility Improvements	\$4,205,000

2012	Austin Film Studios	100,000
2006	Central Library	43,200,000
2012	Library Facility Improvements	715,000
2012	Parks and Recreation	17,275,000
2012	Public Safety Facility Improvements	6,900,000
2012	Streets/Signals/Mobility	32,235,000
		<hr/> \$104,630,000

The entire \$104,630,000 in new money Public Improvement Bonds 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's expenditure with the proceeds of obligations to be issued after the expenditure may have been incurred. This 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 \$104,630,000 is estimated as follows:

	2015-16:	Total Over 20 Years:	Average Per Year
Principal	\$4,198,709	\$104,630,000	\$5,231,500
Interest	<u>5,231,500</u>	<u>62,874,525</u>	<u>3,143,726</u>
Total Debt Service	\$9,430,209	\$167,504,525	\$8,375,226

In addition to the new money bonds described above, approval of this ordinance will authorize the issuance of up to \$175,000,000 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 2005, 2006, and 2007; Public Improvement and Refunding Bonds Series 2005, as well as Public Improvement Bonds Series 2006 and 2007 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 29, the transaction produced \$13.6 million in present value savings or 9.6%. The new bonds are known as "refunding" bonds.

To quickly take advantage of changing market conditions, the ordinance sets parameters so that the City has the authority to enter into the transaction, as long as certain thresholds in the ordinance are met. The proposed ordinance delegates the authority to the City Manager or Chief Financial Officer (the "Pricing Officer") to complete the sale of the new money and refunding bond transaction. To proceed with the refunding component of the transaction, the City must achieve a present value debt service savings of not less than 4.25%. In addition, the authority of the Pricing Officer to exercise the authority delegated by Council under the ordinance expires on February 20, 2016.

This transaction will be sold through the following underwriting team:

Senior Manager: Jefferies
Co-Managers: First Southwest
Piper Jaffray
Ramirez & Company
Mesirow

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 Haynes & Boone L.L.P. Public Financial Management is the City's financial advisor.