

A G E N D A



Recommendation for Council Action

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| Austin City Council | Item ID | 48104 | Agenda Number | 16. |
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|---------------|-----------|-------------|---------|
| Meeting Date: | 8/20/2015 | Department: | Finance |
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Subject

Approve an ordinance authorizing the issuance and sale by February 20, 2016, of City of Austin Certificates of Obligation, Series 2015, in a par amount not to exceed \$70,755,000 in accordance with the parameters set out in the ordinance, authorizing related documents; and approving related fees.

Amount and Source of Funding

\$5,678,750 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.

Fiscal Note

There is not unanticipated financial impact. A fiscal note is not required.

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|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Purchasing Language: | |
| Prior Council Action: | Reimbursement Resolutions approved by City Council 04/10/08, 09/13/10, 06/07/12, 06/24/14, and 09/08/14; Notice of Intention to issue certificates was approved 06/04/15. |
| For More Information: | Art Alfaro, Treasurer, 512-974-7882 |
| Council Committee, Boards and Commission Action: | |
| MBE / WBE: | |
| Related Items: | |

Additional Backup Information

These bonds are being issued to provide funding relating to reimbursement resolutions previously approved by Council for fire station improvements, Jimmy Clay golf course improvements, the Seaholm redevelopment program, the new central library, the Waller Creek tunnel project, and for the watershed home buyout program.

On June 4, 2015, Council authorized publication of an Official Notice of Intention to Issue Certificates of Obligation. State law requires that an Official Notice of Intention to Issue Certificates of Obligation be published once a week for two consecutive weeks with the date of the first publication occurring at least 31 days prior to the sale of the Certificates of Obligation by the City. These notices were published June 15, 2015 and June 22, 2015. The \$70,755,000 in Certificates of Obligation is to fund existing project appropriations that were previously approved by City Council, along with corresponding reimbursement resolutions, in accordance with financial policies and as described below.

Fire Station Improvements - \$5,000,000

This project consists of Austin Fire Department Station renovations at various locations City-wide to include roofing, HVAC, plumbing, electrical, carpentry, and structural repairs/improvements. The project was approved as part of the FY 2014-15 Capital Budget.

Golf Course Improvements Jimmy Clay- \$1,300,000

The renovation includes replacing the drainage, greens mix and re-grassing all 18 greens and the putting green as well as making irrigation improvements to several greens. In addition, the renovation team will reshape the driving range to improve the practice tee as well as improve drainage and irrigation on the driving range. The project was approved as part of the FY 2014-15 Capital Budget.

Seaholm Redevelopment Program- \$20,400,000

This program is the public infrastructure supporting the redevelopment of the former Seaholm Power Plant, located in southwest downtown Austin to become a new vibrant center of culture, entertainment, housing and retail. It includes the rehabilitation of the Seaholm Power Plant Building; the extension of Walter Seaholm Drive and West Avenue from 3rd Street to Cesar Chavez, including utilities and streetscapes; a public plaza and event lawn; and continuation of the dedicated bicyclist and pedestrian facility to provide a safe undercrossing of the Union Pacific Railroad whose route will come to grade at 3rd Street. The project was approved as part of the FY 2007-08 and FY 2011-12 Capital Budgets.

New Central Library - \$12,500,000

710 West Cesar Chavez, Austin, Texas 78701

This funding contributes to the overall construction of the New Central Library (NCL). The \$120 million funding plan for the NCL was approved by City Council in December 2010. The library will be a six story building including 198,000 square feet with two levels of underground garage. This \$12,500,000 was approved as part of FY 2014-15 Capital Budget.

Waller Creek Tunnel Project □ \$11,055,000

This is the final bond sale related to the approximately \$100 million portion of the Waller Creek tunnel project that will be funded by Certificates of Obligation. In 1998, an election was held in the City, and voters approved a proposed tunnel project as a venue project. Venue project bonds in the principal amount of \$25,000,000 were authorized for the Waller Creek Tunnel Project. In 2000, engineering consultants retained by the City to perform the preliminary engineering for the Waller Creek Tunnel Project provided cost estimates for three versions of the Waller Creek Tunnel Project, and determined that the cost estimates to construct each of the three versions of the Waller Creek Tunnel Project substantially exceeded the \$25,000,000 in venue project bonds authorized. No venue project bond proceeds were expended for the actual construction of the Waller Creek Tunnel Project. As a result, the Waller Creek Tunnel Project has evolved and changed in scope from the project envisioned in 1998. The Waller Creek Tunnel Project now consists of a storm water bypass tunnel to be constructed from 12th Street at Waterloo Park to Lady Bird Lake just upstream of the mouth of Waller Creek. Among the more notable changes from the preliminary plans, the tunnel will vary in diameter from approximately 20 feet to 26 feet and will be approximately 5,600 feet in length; creek side inlets are proposed between 4th and 5th Streets and between 8th and 9th Streets to capture additional flood waters below 12th Street; the inlet facility has been moved nearer to 12th Street; the inlet structure and the pump house building will be combined; and the outlet facility also has been redesigned to address water flood control issues. In 2007, the City approved an ordinance creating Tax Increment Financing Reinvestment Zone No. 17 ("Zone No. 17") to finance the construction of flood control improvements along lower Waller Creek. It is anticipated that tax increment revenues collected within Zone No. 17 will be used to defray the debt service on the Certificates of Obligation issued for the Waller Creek Tunnel Project.

Watershed Home Buyout Program - \$20,500,000

This program is for the buyout and demolition of single family houses in the floodplain of Onion Creek near the intersection of South Pleasant Valley Road and East William Cannon Boulevard. This funding source for the project was approved as part of FY 2013-14 Capital Budget.

The debt service costs for the \$70,755,000 Certificates of Obligation Series 2015 issuance are estimated as follows:

| 2015-16: | Total Over | Average |
|----------|------------|---------|
|----------|------------|---------|

| | | 20 Years: | Per Year |
|--------------------|------------------|--------------------|------------------|
| Principal | \$2,141,000 | \$70,755,000 | \$3,537,750 |
| Interest | <u>3,537,750</u> | <u>123,452,103</u> | <u>6,172,605</u> |
| Total Debt Service | \$5,678,750 | \$194,207,103 | \$9,710,355 |

Of the \$70,755,000 that is being issued, \$18,800,000 is tax-supported and \$51,955,000 is self-supported debt paid by transfers to the General Obligation Debt Service Fund from operating funds of issuing departments.

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 transaction. 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.