



Recommendation for Action

File #: 20-2681, **Agenda Item #:** 74.

8/27/2020

Posting Language

Approve an ordinance authorizing the issuance and sale of tax-exempt City of Austin Public Improvement and Refunding Bonds, Series 2020, in a par amount not to exceed \$107,060,000, in accordance with the parameters set out in the ordinance, authorizing related documents, and approving the payment of the costs of issuance, all related fees, and providing that the issuance and sale be accomplished not later than February 26, 2021.

Lead Department

Treasury

Fiscal Note

The Fiscal Year 2021 debt service requirements and estimated annual administration fees for the paying agent/registrar for the proposed bond sale are included in the 2020-21 Proposed Operating Budget of the General Obligation Debt Service Fund.

Prior Council Action:

Reimbursement Resolutions approved by City Council on 3/22/2018, 3/7/2019, and 9/10/2019.

For More Information:

Belinda Weaver, Treasurer, 512-974-7885

Additional Backup Information:

Approval of this ordinance will authorize the issuance of up to \$107,060,000 in City of Austin Public Improvement and Reimbursement Bonds, Series 2020, consisting of up to \$76,195,000 in refunding bonds and up to \$30,865,000 in new money bonds as follows:

| Election Year | Description | New Money Amount |
|---------------|---|---------------------|
| 2016 | Streets/Signals/Mobility | \$6,595,000 |
| 2018 | Flood Mitigation, Open Space, and Water Quality | 12,955,000 |
| 2018 | Health and Human Services | 550,000 |
| 2018 | Street/Signals/Mobility | 10,765,000 |
| | | <u>\$30,865,000</u> |

The entire \$30,865,000 in new money Public Improvement and Refunding Bonds is being issued to provide funding for reimbursement resolutions that were previously approved by Council. Reimbursement resolutions declare the City's official intent to reimburse a project's expenditure with the proceeds of debt obligations to be issued after the expenditure may have occurred. 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 total General Obligation Debt Service cost for the new money bond issuance of \$30,865,000 is estimated as follows:

| | Total Over 20 Years: | Avera ge Per Year |
|-----------------------|-------------------------|----------------------------|
| Principal | \$30,865,000 | \$1,543,250 |
| Interest | <u>17,589,500</u> | <u>879,475</u> |
| Total Debt Service | \$48,454,500 | \$2,422,725 |

In addition to the new money bonds described above, approval of this ordinance will authorize the issuance of up to \$76,195,000 in refunding bonds. Due to current favorable conditions in the municipal bond market and the optional redemption date of the bonds to be refunded, the City's financial advisor, PFM Financial Advisors LLC, has advised that refinancing, or "refunding" certain maturities from the City's Public Improvement Bonds Series 2010A and Certificate of Obligation Bonds Series 2010 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 estimated current market rates, the transaction is anticipated to produce approximately \$9.3 million in present value savings or 14.9% of refunded par and approximately \$15.5 million in present value savings or 12.6% of refunded par respectively.

In order to provide the City with the flexibility to respond quickly to changing market conditions, the proposed ordinance delegates the authority to the City Manager or Chief Financial Officer (the "Pricing Officer") to complete the sale of the bond transaction in accordance with the parameters in the ordinance. Additionally, the authority of the Pricing Officer to exercise the authority delegated by Council under this ordinance expires on February 26, 2021.

This transaction will be sold through the following underwriting team:

Senior Manager:
Siebert Williams Shank & Co., LLC

Co-Managers:
Piper Sandler & Co
Wells Fargo

For this transaction, McCall, Parkhurst, & Horton L.L.P. will serve as bond counsel, and Norton Rose Fulbright US LLP will serve as disclosure counsel. PFM Financial Advisors, LLC., is the City's financial advisor.

Strategic Outcome(s):

Government that Works for All.