



Recommendation for Action

File #: 23-2523, **Agenda Item #:** 16.

8/31/2023

Posting Language

Approve an ordinance authorizing the issuance and sale of City of Austin, Texas Public Improvement and Refunding Bonds, Series 2023, in a par amount not to exceed \$296,295,000 in accordance with the parameters set out in the ordinance, authorizing related documents, and approving the payment of the costs of issuance and all related fees, and providing that the issuance and sale be accomplished by March 1, 2024.

Lead Department

Financial Services Department.

Fiscal Note

The Fiscal Year 2023-24 debt service requirements and estimated annual administration fees for the paying agent/registrar for the proposed bond sale are included in the 2023-24 Proposed Operating Budget of the General Obligation Debt Service Fund.

Prior Council Action:

Reimbursement Resolutions approved by City Council on September 8, 2015, March 22, 2018, September 11, 2018, September 10, 2019, August 27, 2020, and March 4, 2021.

For More Information:

Belinda Weaver, Treasurer, 512-974-7885.

Additional Backup Information:

Approval of this ordinance will authorize the issuance of up to \$296,295,000 in City of Austin Public Improvement and Refunding Bonds, Series 2023, consisting of up to \$170,500,000 in new money bonds to provide funding for:

| Election Year | Description | New Money Amount |
|---------------|--|------------------|
| 2012 | Transportation/Mobility | \$5,000,000 |
| 2016 | Transportation | \$80,000,000 |
| 2018 | Flood Mitigation, Open Space, Water Quality Protection | \$6,500,000 |
| 2018 | Parks and Recreation | \$15,000,000 |
| 2018 | Library and Cultural Arts | \$8,000,000 |
| 2018 | Transportation | \$30,000,000 |
| 2018 | Public Safety | \$1,000,000 |
| 2020 | Transportation | \$25,000,000 |
| | | \$170,500,000 |

The \$170,500,000 in new money bonds is being issued to provide funding for reimbursement resolutions that were 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

occurred. The action is required by Internal Revenue Service 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 August or 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 \$170,500,000 is estimated as follows:

| | Total Over 20 Years: | Average Per Year |
|--------------------|-----------------------------|-------------------------|
| Principal | \$170,500,000 | \$8,525,000 |
| Interest | 103,128,500 | 5,156,425 |
| Total Debt Service | \$273,628,500 | \$13,681,425 |

In addition to the new money bonds described above, approval of this ordinance will authorize the issuance of refunding bonds in an amount not to exceed \$125,795,000 to refund outstanding obligations of the City for present value debt service savings. Eligible obligations to be refunded include the City's outstanding Public Improvement Bonds Series 2012A, Certificates of Obligation Series 2012, Public Improvement Bonds Series 2013, and Certificates of Obligation Series 2013, each of which have an optional redemption date on or before September 1, 2023. The City's financial advisor, PFM Financial Advisors LLC, continues to monitor the refunding savings and the City will consult with PFM closer to the bond pricing date to determine which currently callable obligations identified above result in present value savings (lower debt service costs) that exceed the City's target guideline of 4.25% of the refunded obligations. Only those obligations that have refunding savings and cumulatively meet or exceed the City's overall savings criteria will be eligible for inclusion in the bond sale.

In order to provide the City with the flexibility to respond quickly to changing market conditions, the proposed ordinance delegates the authority to the Interim City Manager or Chief Financial Officer to complete the sale of the bond transaction in accordance with the parameters in the ordinance, including selecting for refunding and redemption some or all of the obligations eligible for refunding as provided in the ordinance. Additionally, the authority of the Interim City Manager or Chief Financial Officer to exercise the authority delegated by Council under this ordinance expires at 11:59 p.m. on March 1, 2024.

This transaction will be sold through the following underwriting team:

Senior Manager:
RBC Capital Markets
Co-Senior Manager:
Mesirow Financial, Inc.

Co-Managers:
Piper Sandler & Co.
Rice Financial Products Company

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