



City of San Antonio

Agenda Memorandum

File Number: 18-3980

Agenda Item Number: 56C.

Agenda Date: 6/21/2018

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-Wide

SUBJECT:

Issuance, Sale, and Delivery of 2018 Obligations and Reimbursement Resolution.

SUMMARY:

- A. This Ordinance authorizes the issuance of the City of San Antonio, Texas General Improvement Bonds, Series 2018, in one or more series and in an aggregate principal amount not to exceed \$175,000,000, and authorizes other matters incident and related thereto.
- B. This Ordinance authorizes the issuance of the City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation, Series 2018, in an aggregate principal amount not to exceed \$170,000,000, and authorizes other matters incident and related thereto.
- C. An Ordinance authorizing the issuance of the City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation, Taxable Series 2018 (Alameda Theater Building), in an aggregate principal amount not to exceed \$10,000,000, and authorizing other matters incident and related thereto.
- D. This Ordinance authorizes the issuance of the City of San Antonio, Texas Tax Notes, Series 2018, in an aggregate principal amount not to exceed \$30,000,000, and authorizes other matters incident and related thereto.
- E. This Resolution by the City Council of the City of San Antonio, Texas establishes the City's intent to reimburse itself for the prior lawful expenditure of funds from the proceeds of one or more series of tax exempt or taxable obligations to be issued by the City for authorized purposes and as further designated by series and federal tax treatment; authorizes other matters incident and related thereto; and provides

for an effective date.

BACKGROUND INFORMATION:

The FY 2018 Adopted Capital Budget and FY 2018 Capital Budget Amendments include the proposed sale of new money bonds to fund projects totaling \$169,340,000 in an amount not to exceed \$175,000,000 General Improvement Bonds, Series 2018 (the “2018 Bonds”); approximately \$150,244,800 Combination Tax and Revenue Certificates of Obligation, Series 2018 (“the 2018 Certificates”) in an amount not to exceed \$170,000,000; approximately \$8,500,000 Combination Tax and Revenue Certificates of Obligation, Taxable Series 2018 (“the 2018 Taxable Certificates”) in an amount not to exceed \$10,000,000; and approximately \$29,100,000 Tax Notes, Series 2018 (“the 2018 Notes”) in an amount not to exceed \$30,000,000.

On May 6, 2017 the 2017 Bond Program was approved by the voters in the amount of \$850,000,000. The issuance of the 2018 Bonds represents the second issuance of bonds for the 2017 Bond Program. The total project amount to be funded from the sale of the 2018 Bonds is detailed below:

Streets, Bridges, and Sidewalks	\$82,905,846
Drainage and Flood Control	20,200,393
Parks, Recreation, and Open Space	38,623,720
Library and Cultural Facilities	4,202,075
Public Safety Facilities	6,407,966
Neighborhood Initiatives	17,000,000
Total 2018 Bonds	\$169,340,000

The FY 2018 Adopted Capital Budget and FY 2018 Capital Budget Amendments include the proposed sale of the 2018 Certificates and the 2018 Taxable Certificates.

State law requires the publication of the Notice of Intention to be issued 30 days prior to the sale of Certificates of Obligation. The Notice of Intention was approved by City Council on May 17th and reflected a maximum principal amount not to exceed \$180,000,000. The total project amount to be funded is approximately \$158,744,800. The differential is attributable to the potential issuance of the Certificates at a premium which will be dependent upon market conditions and determined at the time of the sale. A portion of the premium may be used to fund the costs of issuance for the Certificates.

The 2018 Certificates will be used for the purpose of providing funds for the following: municipal facilities, street, service center, public safety, drainage, parks and recreation, information technology, and for other public purposes. The 2018 Certificates that will be self-supporting will provide funds for the following: Southeast Service Center, Leslie Road Service Center, La Villita/Maverick, Golf Courses, and the Alameda Theater Building. The projects to be funded with the Certificates of Obligation are listed in Exhibit I.

The 2018 Notes will be used for the purpose of providing funds for street improvements and information technology improvements. The total project amount to be funded is \$29,100,000, while the maximum issuance amount included is up to \$30,000,000 upon market conditions and determined at the time of the sale. A portion of the premium may be used to fund the costs of issuance for the 2018 Notes.

Approval of these ordinances will give parameter sale authorization for the 2018 Bonds, 2018 Certificates,

2018 Taxable Certificates, and 2018 Notes (collectively “the 2018 Obligations”). This authorization will give the City Manager and Chief Financial Officer the flexibility to establish the pricing terms on the obligations and the authority to sign the applicable purchase contracts upon completion of the sale of such obligations.

It is anticipated that the 2018 Obligations will be sold the week of July 30, 2018 by an underwriting syndicate led by J.P. Morgan Securities, LLC as Senior Book Running Manager; Siebert Cisneros Shank & Co., LLC as Co-Senior Manager; and Jefferies LLC, Hutchinson, Shockey, Erley & Co., SAMCO Capital Markets, Inc., Drexel Hamilton, LLC and Mesirow Financial as Co-Managers. Closing and delivery of the 2018 Obligations is anticipated to occur on August 30, 2018.

FTN Financial Municipal Advisors, and FirstSouthwest, a Division of Hilltop Securities, Inc. are serving as Co-Financial Advisors. Norton Rose Fulbright US LLP and Kassahn & Ortiz, P.C. are serving as Co-Bond Counsel.

Approval of the reimbursement resolution will enable the City to reimburse itself for project expenditures to be funded by the issuance of future obligations but expended prior to the sale and delivery of such obligations’ proceeds. Such expenditures are related to projects funded by the future issuance of one or more series of tax exempt or taxable obligations to be issued by the City.

ISSUE:

The aforementioned transaction will fund capital projects that have or will have been approved in the FY 2018 Adopted Capital Budget and FY 2018 Capital Budget Amendments and are consistent with the Debt Management Plan. The selection of the financial underwriting syndicates is consistent with the City’s policy and previous actions to employ underwriting syndicates to market and underwrite the City’s debt obligations, as well as to assist in the design and structuring of such obligations.

ALTERNATIVES:

The City could choose not to move forward with the proposed capital improvements included in the adopted capital budget and not fund the projects.

FISCAL IMPACT:

Any costs pertaining to the proposed transactions will be paid for from the proceeds derived from the issuance and sale of such obligations. Therefore, there is no impact on the City’s Operating Budget.

RECOMMENDATION:

Staff recommends approval of these Ordinances that authorize the issuance, sale, and delivery of the 2018 Obligations and a Resolution that establishes the City’s intention to reimburse itself for prior lawful expenditure of funds.