



# City of San Antonio

## Agenda Memorandum

**File Number:** 15-3714

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**Agenda Item Number:** 70D.

**Agenda Date:** 6/18/2015

**In Control:** City Council A Session

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**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** City-Wide

### **SUBJECT:**

Issuance, Sale, and Delivery of 2015 Bonds, 2015 Certificates, and 2015 Notes and Reimbursement Resolution

### **SUMMARY:**

- A. This Ordinance authorizes the issuance of the City of San Antonio, Texas General Improvement and Refunding Bonds, Series 2015, in one or more series and in an aggregate principal amount not to exceed \$386,000,000, 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 2015, in an aggregate principal amount not to exceed \$44,000,000, and authorizes other matters incident and related thereto.
- C. This Ordinance authorizes the issuance of the City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation, Taxable Series 2015 (Alamodome), in an aggregate principal amount not to exceed \$45,000,000, and authorizes other matters incident and related thereto.
- D. This Ordinance authorizes the issuance of the City of San Antonio, Texas Tax Notes, Series 2015, in an aggregate principal amount not to exceed \$5,500,000, 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 2015 issuance includes new money bonds to fund projects for the FY 2015 Adopted Capital Budget and FY 2015 Capital Budget Amendments totaling \$160,144,594 and refunding bonds to refund approximately \$197,980,000 for a combined funding amount of \$358,124,594 in an amount not to exceed \$386,000,000 General Improvement and Refunding Bonds, Series 2015 (the “2015 Bonds”); approximately \$41,094,151 Combination Tax and Revenue Certificates of Obligation, Series 2015 (“the 2015 Certificates”); in an amount not to exceed \$44,000,000, approximately \$43,500,000 Combination Tax and Revenue Certificates of Obligation, Taxable Series 2015 (“the 2015 Taxable Certificates”) in an amount not to exceed \$45,000,000; and approximately \$5,000,000 Tax Notes, Series 2015 (“the 2015 Notes”) in an amount not to exceed \$5,500,000.

The issuance of the 2015 Bonds represents the fourth issuance of bonds for the 2012 Bond Program. The total project amount to be funded from the sale of the 2015 Bonds is detailed below:

Streets, Bridges, and Sidewalks	\$98,577,040
Drainage and Flood Control	39,279,058
Parks, Recreation, and Open Space	14,976,322
Library, Museum, and Cultural Arts Facilities	1,674,560
Public Safety Facilities	5,637,614
<b>Total 2015 Bonds</b>	<b>\$160,144,594</b>

The 2015 Bonds are also being issued to refund approximately \$197,980,000 of various outstanding general obligation issuances of the City. This refunding transaction is projected to produce total savings of approximately \$18,747,872 and net present value savings of \$14,559,968 or 7.35% of the refunded obligations.

The FY 2015 Adopted Capital Budget and FY 2015 Capital Budget Amendments include the proposed sale of the 2015 Certificates and the 2015 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 Intent which was approved by City Council on May 14<sup>th</sup> reflected a maximum principal amount not to exceed \$95,000,000 and this amount has been reduced to \$89,000,000. The total project amount to be funded is approximately \$84,594,151. 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 2015 Certificates will be used for the purpose of providing funds for the following: street lighting improvements, including the streetlights program, parks and recreation facilities, public safety facilities, drainage facilities, street improvements, information technology systems, and for other public purposes. The total amount to be funded is \$41,094,151, while the maximum issuance amount included is up to \$44,000,000.

The 2015 Taxable Certificates will be used for the Alamodome Renovations (“the Project”). The City developed a financing plan to fund the proposed improvements to the Alamodome through the issuance of the certificates of obligation, whose debt service will be funded with Alamodome ticket and parking fee increases implemented over a 20 year period. The total project amount to be funded is \$43,500,000, while the

maximum issuance amount included is up to \$45,000,000.

The 2015 Notes will be used for the purpose of providing funds for street maintenance improvements. The total project amount to be funded is \$5,000,000, while the maximum issuance amount included is up to \$5,500,000. The differential is attributable to the potential issuance of the 2015 Notes 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 2015 Notes.

Approval of these ordinances will give parameter sale authorization for the 2015 Bonds, 2015 Certificates, 2015 Taxable Certificates, and 2015 Notes. 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 2015 Bonds, 2015 Certificates, 2015 Taxable Certificates, and 2015 Notes will be sold the week of July 27, 2015 by an underwriting syndicate led by Citigroup Global Markets, Inc. as Senior Book Running Manager; Piper Jaffray & Co. as Co-Senior Manager; and Frost National Bank, Loop Capital Markets, LLC, M.E. Allison & Co., Inc., Southwestern Capital Markets, Inc., and Stifel, Nicolaus & Company, Incorporated as Co-Managers. Closing and delivery of the 2015 Bonds, 2015 Certificates, 2015 Taxable Certificates, and 2015 Notes is anticipated to occur on August 18, 2015.

Coastal Securities, Inc. and Estrada Hinojosa & Company, Inc. are serving as Co-Financial Advisors. Norton Rose Fulbright US LLP and Escamilla & Poneck, LLP 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 2015 Adopted Capital Budget and FY 2015 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 cost of the improvements to be financed could be absorbed into the City's operating budget. However, this alternative is not budgeted and would negatively impact funding for other services and improvements. The City could choose not to move forward with the proposed capital improvements included in the adopted capital budget, thus not making these important improvements for the community.

#### **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 2015 Bonds, 2015 Certificates, 2015 Taxable Certificates, and 2015 Notes and a Resolution that establishes the City's intention to reimburse itself for prior lawful expenditure of funds.