



# City of San Antonio

## Agenda Memorandum

**File Number:**16-3588

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**Agenda Item Number:** 37.

**Agenda Date:** 6/16/2016

**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 2016 Obligations and Reimbursement Resolution.

### **SUMMARY:**

- A. This Ordinance authorizes the issuance of the City of San Antonio, Texas General Improvement and Refunding Bonds, Series 2016, in one or more series and in an aggregate principal amount not to exceed \$235,000,000, 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 2016, in an aggregate principal amount not to exceed \$100,000,000, 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 2016 (Hemisfair Park and River Barges), in an aggregate principal amount not to exceed \$25,000,000, and authorizes other matters incident and related thereto.
- D. This Ordinance authorizes the issuance of the City of San Antonio, Texas Tax Notes, Series 2016, 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 2016 Adopted Capital Budget and FY 2016 Capital Budget Amendments include the proposed sale of new money bonds to fund projects totaling \$53,781,002 and refunding bonds of approximately \$157,615,000 for a combined funding amount of \$211,396,002 in an amount not to exceed \$235,000,000 General Improvement and Refunding Bonds, Series 2016 (the “2016 Bonds”); approximately \$97,397,969 Combination Tax and Revenue Certificates of Obligation, Series 2016 (“the 2016 Certificates”) in an amount not to exceed \$100,000,000; approximately \$24,600,000 Combination Tax and Revenue Certificates of Obligation, Taxable Series 2016 (“the 2016 Taxable Certificates”) in an amount not to exceed \$25,000,000; and approximately \$28,871,000 Tax Notes, Series 2016 (“the 2016 Notes”) in an amount not to exceed \$30,000,000.

The issuance of the 2016 Bonds represents the fifth and final issuance of bonds for the 2012 Bond Program. The total project amount to be funded from the sale of the 2016 Bonds is detailed below:

Streets, Bridges, and Sidewalks	\$34,895,001
Drainage and Flood Control	15,620,001
Parks, Recreation, and Open Space	1,857,999
Library, Museum, and Cultural Arts Facilities	1,009,000
Public Safety Facilities	399,001
<b>Total 2016 Bonds</b>	<b>\$53,781,002</b>

The 2016 Bonds are also being issued to refund approximately \$167,410,000 of various outstanding general obligation issuances of the City. This refunding transaction is projected to produce total savings of approximately \$25,609,495 and net present value savings of \$22,352,548 or 13.35% of the refunded obligations.

The FY 2016 Adopted Capital Budget and FY 2016 Capital Budget Amendments include the proposed sale of the 2016 Certificates and the 2016 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 12<sup>th</sup> reflected a maximum principal amount not to exceed \$125,000,000. The total project amount to be funded is approximately \$121,997,969. 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 2016 Certificates will be used for the purpose of providing funds for the following: municipal facilities, streets, streetlights, public safety, parks and recreation, equipment, information technology, and for other public purposes. The total amount to be funded is \$97,397,969, while the maximum issuance amount included is up to \$100,000,000.

The 2016 Taxable Certificates will be used for the purpose of providing funds for Hemisfair Park and River Barges. The total amount to be funded is \$24,600,000, while the maximum issuance amount included is up to

\$25,000,000.

The 2016 Notes will be used for the purpose of providing funds for municipal facilities, public safety, information technology, and street maintenance improvements. The total project amount to be funded is \$28,871,790, while the maximum issuance amount included is up to \$30,000,000. The differential is attributable to the potential issuance of the 2016 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 2016 Notes.

Approval of these ordinances will give parameter sale authorization for the 2016 Bonds, 2016 Certificates, 2016 Taxable Certificates, and 2016 Notes (collectively “the 2016 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 2016 Obligations will be sold the week of August 1, 2016 by an underwriting syndicate led by Samuel A. Ramirez & Co., Inc. as Senior Book Running Manager; Frost National Bank and RBC Capital Markets, LLC as Co-Senior Managers; and J.P. Morgan Securities, LLC, Loop Capital Markets, LLC, SAMCO Capital Markets, Inc., and Siebert Brandford Shank & Co., LLC as Co-Managers. Closing and delivery of the 2016 Obligations is anticipated to occur on August 31, 2016.

Coastal Securities, Inc. 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 2016 Adopted Capital Budget and FY 2016 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 2016 Obligations and a Resolution that establishes the City's intention to reimburse itself for prior lawful expenditure of funds.