



# City of San Antonio

## Agenda Memorandum

**File Number:** 17-3882

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**Agenda Item Number:** 26A.

**Agenda Date:** 6/22/2017

**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 2017 Obligations and Reimbursement Resolution.

### **SUMMARY:**

Consideration of the following Ordinances and Resolution relating to the general obligation debt matters of the City of San Antonio, Texas: [Ben Gorzell, Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer, Finance]

- A. An Ordinance authorizing the issuance of the City of San Antonio, Texas General Improvement Bonds, Series 2017, in one or more series and in an aggregate principal amount not to exceed \$105,000,000, and authorizing other matters incident and related thereto.
- B. An Ordinance authorizing the issuance of the City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation, Series 2017, in an aggregate principal amount not to exceed \$95,000,000, and authorizing other matters incident and related thereto.
- C. An Ordinance authorizing the issuance of the City of San Antonio, Texas Tax Notes, Series 2017, in an aggregate principal amount not to exceed \$25,000,000, and authorizing other matters incident and related thereto.
- D. Resolution by the City Council of the City of San Antonio, Texas establishing 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; authorizing other matters incident and related thereto; and providing

for an effective date.

## BACKGROUND INFORMATION:

The FY 2017 Adopted Capital Budget and FY 2017 Capital Budget Amendments include the proposed sale of bonds to fund projects totaling \$100,120,000 in an amount not to exceed \$105,000,000 General Improvement Bonds, Series 2017 (the “2017 Bonds”); approximately \$83,212,008 Combination Tax and Revenue Certificates of Obligation, Series 2017 (“the 2017 Certificates”) in an amount not to exceed \$95,000,000; and approximately \$20,000,000 Tax Notes, Series 2017 (“the 2017 Notes”) in an amount not to exceed \$25,000,000.

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

Streets, Bridges, and Sidewalks	\$48,398,427
Drainage and Flood Control	19,344,615
Parks, Recreation, and Open Space	23,599,910
Library and Cultural Facilities	2,571,418
Public Safety Facilities	3,205,630
Neighborhood Initiatives	3,000,000
<b>Total 2017 Bonds</b>	<b>\$100,120,000</b>

The FY 2017 Adopted Capital Budget and FY 2017 Capital Budget Amendments include the proposed sale of the 2017 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 18<sup>th</sup> reflected a maximum principal amount not to exceed \$95,000,000. The total project amount to be funded is approximately \$83,212,008. 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 2017 Certificates will be used for the purpose of providing funds for the following: municipal facilities, streets, sidewalks and other pedestrian mobility enhancement improvements, parks and recreation, information technology, Riverwalk marina, and for other public purposes. Attached as Exhibit I is the list of projects to be funded with 2017 Certificates some of which are self supporting. Self supporting projects are paid for from other revenue sources not property tax revenue.

The 2017 Notes will be used for the purpose of providing funds for street improvements and information technology improvements, attached as Exhibit II is the list of projects to be funded with the 2017 Notes. The total project amount to be funded is \$20,000,000, while the maximum issuance amount included is up to \$25,000,000. The differential is attributable to the potential issuance of the 2017 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 2017 Notes.

Approval of these ordinances will give parameter sale authorization for the 2017 Bonds, 2017 Certificates, and 2017 Notes (collectively “the 2017 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 2017 Obligations will be sold the week of August 1, 2017 by an underwriting syndicate led by Piper Jaffray & Co. as Senior Book Running Manager; Loop Capital Markets, LLC as Co-Senior Manager; and Drexel Hamilton, LLC, Estrada Hinojosa & Company, Inc., Merrill Lynch, Pierce, Fenner & Smith Inc., and Raymond James & Associates, Inc. as Co-Managers. Closing and delivery of the 2017 Obligations is anticipated to occur on August 31, 2017.

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 2017 Adopted Capital Budget and FY 2017 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 2017 Obligations and a Resolution that establishes the City’s intention to reimburse itself for prior lawful expenditure of funds.

