



# City of San Antonio

## Agenda Memorandum

**File Number:** 17-4020

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**Agenda Item Number:** 10.

**Agenda Date:** 6/29/2017

**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 Combination Tax and Revenue Certificates of Obligation

### **SUMMARY:**

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, first approved by City Council on June 22, 2017 but readopted by this Ordinance to reflect publication details, and authorizing other matters incident and related thereto.

### **BACKGROUND INFORMATION:**

This Ordinance was approved by the City Council on June 22, 2017. Notice of Intention to Issue Certificates of Obligation is required 30 days before the issuance is approved. This Notice was properly published, first on May 21, 2017 and again on May 28, 2017, but stated that the issuance would be approved by City Council on June 29, 2017. As such, this ordinance makes the action date consistent with published notice. Below reflects the information posted on the June 22, 2017 item as it pertains to the City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation, Series 2017.

The FY 2017 Adopted Capital Budget and FY 2017 Capital Budget Amendments include the proposed sale of Certificates of Obligation Series 2017 ("the 2017 Certificates") in an amount not to exceed \$95,000,000.

State law requires the publication of the Notice of Intention to be issued 30 days before the issuance is approved. An Ordinance authorizing and approving publication of the Notice of Intention was approved by City Council on May 18 reflecting 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.

Approval of this ordinance will give parameter sale authorization for the 2017 Certificates. 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 Certificates 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 Certificates 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.

#### **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.

#### **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 this Ordinance that authorizes the issuance, sale, and delivery of the 2017 Certificates.