



# City of San Antonio

## Agenda Memorandum

**File Number:**19-5008

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**Agenda Item Number:** 39B.

**Agenda Date:** 6/20/2019

**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 2019 Obligations and Reimbursement Resolution.

### **SUMMARY:**

- A. This Ordinance authorizes the issuance of the City of San Antonio, Texas General Improvement and Refunding Bonds, Series 2019, in an aggregate principal amount not to exceed \$437,000,000, 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 2019, in an aggregate principal amount not to exceed \$60,000,000, and authorizes other matters incident and related thereto.
- C. This Ordinance authorizes the issuance of the City of San Antonio, Texas Tax Notes, Series 2019, in an aggregate principal amount not to exceed \$40,000,000, and authorizes other matters incident and related thereto.
- D. 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 2019 Adopted Capital Budget includes the proposed sale of new money bonds to fund projects totaling \$249,530,000 and refunding bonds of approximately \$167,500,000 for a combined funding of approximately \$417,030,000 (but not to exceed \$437,000,000) in General Improvement and Refunding Bonds, Series 2019 (the “2019 Bonds”); approximately \$43,740,000 (but not to exceed \$60,000,000) in Combination Tax and Revenue Certificates of Obligation, Series 2019 (“the 2019 Certificates”); and approximately \$37,000,000 (but not to exceed \$40,000,000) in Tax Notes, Series 2019 (“the 2019 Notes”).

On May 6, 2017 the 2017 Bond Program was approved by the voters in the amount of \$850,000,000. The issuance of the 2019 Bonds represents the third issuance of bonds for the 2017 Bond Program. The total project amount to be funded from the sale of the 2019 Bonds is detailed below:

Streets, Bridges, and Sidewalks	\$131,914,300
Drainage and Flood Control	31,408,900
Parks, Recreation, and Open Space	59,407,500
Library and Cultural Facilities	7,819,700
Public Safety Facilities	10,979,600
Neighborhood Initiatives	8,000,000
<b>Total 2019 Bonds</b>	<b>\$249,530,000</b>

The 2019 Bonds are also being issued to refund approximately \$187,415,000 of outstanding City general obligation bonds. This refunding transaction is projected to produce total interest cost savings of approximately \$21,691,267 and net present value savings of approximately \$16,059,449 (or 8.57% of the refunded obligations’ principal amount).

As a condition to the issuance of certificates of obligation, State law requires that Notice of Intention to issue the certificates be published twice in a newspaper of general circulation with the first date of publication at least 30 days prior to the date of approval of the certificate authorizing ordinance. The Notice of Intention was approved by City Council on May 16<sup>th</sup>, published in the Express News initially on May 19<sup>th</sup> and again on May 26<sup>th</sup> and reflected a maximum principal amount not to exceed \$60,000,000. The total project amount to be funded is approximately \$43,740,000. 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 2019 Certificates will be used for the purpose of providing funds for the following: streets, public safety, information technology, and for other public purposes. The 2019 Certificates that will be self-supporting will provide funds for the following: The Enterprise Land Management system. Self-supporting debt has a property tax pledge but other non-property tax revenues will be used to pay for the debt service. The projects to be funded with the Certificates of Obligation are listed in Exhibit I.

The 2019 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 \$37,000,000, while the maximum issuance amount included is \$40,000,000. The differential is attributable to the potential issuance of the 2019 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 2019 Notes.

Approval of these ordinances will give parameter sale authorization for the 2019 Bonds, 2019 Certificates, and 2019 Notes (collectively the “2019 Obligations”). This authorization will give the City Manager and Chief Financial Officer the flexibility to establish the pricing terms of the 2019 Obligations and the authority to sign

the applicable purchase contracts upon completion of the sale of such obligations.

It is anticipated that the 2019 Obligations will be sold the week of August 12, 2019 by an underwriting syndicate. Closing and delivery of the 2019 Obligations is anticipated to occur on August 29, 2019.

FTN Financial Municipal Advisors, and Hilltop Securities Inc. are serving as Co-Financial Advisors. Norton Rose Fulbright US LLP is serving as 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 2019 Adopted Capital Budget and are consistent with the Debt Management Plan.

#### **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 2019 Obligations and a Resolution that establishes the City's intention to reimburse itself for prior lawful expenditure of funds.