



City of San Antonio

Agenda Memorandum

File Number:14-1453

Agenda Item Number: 40B.

Agenda Date: 6/19/2014

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: All

SUBJECT:

Issuance, Sale, and Delivery of 2014 Bonds and 2014B Notes and Reimbursement Resolution

SUMMARY:

- A. This Ordinance by the City Council of the City of San Antonio, Texas authorizes the issuance of up to \$265,000,000 "City of San Antonio, Texas General Improvement and Refunding Bonds, Series 2014"; levies a continuing direct annual ad valorem tax for the payment of the bonds; prescribes the form, terms, conditions, and resolves other matters incident and related to the issuance, sale, and delivery of the bonds, including the approval and distribution of an official statement pertaining thereto; authorizes the execution of an Escrow Agreement, a Paying Agent/Registrar Agreement, and a Purchase Contract; complies with the provisions of the Depository Trust Company's Letter of Representations; delegates the authority to certain City officials and staff to establish terms of sale of the bonds and to execute certain documents relating to the sale thereof; enacts other provisions incident and related to the subject and purpose of this ordinance; and provides for an effective date.
- B. This Ordinance by the City Council of the City of San Antonio, Texas authorizes the issuance of up to \$8,000,000 "City of San Antonio, Texas Tax Notes, Series 2014B"; levies a continuing direct annual ad valorem tax for the payment of the notes; prescribes the form, terms, conditions, and resolves other matters incident and related to the issuance, sale, and delivery of the notes, including the approval and distribution of an official statement pertaining thereto; authorizes the execution of a Paying Agent/Registrar Agreement and a Purchase Contract; complies with the provisions of the Depository Trust Company's Letter of Representations; delegates the authority to certain City officials and staff to establish terms of sale of the notes and to execute certain documents relating to the sale thereof; enacts other provisions incident and related to the subject and purpose of this ordinance; and provides for an effective date.

C. 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 2014 Adopted Capital Budget and FY 2014 Capital Budget Amendments include the proposed sale of approximately \$180,312,734 in new money bonds, which are concurrently being sold with approximately \$78,836,709 in refunding bonds, for a combined amount of \$259,149,443 and in an amount not to exceed \$265,000,000 General Improvement and Refunding Bonds, Series 2014 (the "2014 Bonds") and approximately \$6,189,000 Tax Notes, Series 2014B ("the 2014B Notes") in an amount not to exceed \$8,000,000.

The issuance of the 2014 Bonds represents the third issuance of bonds for the 2012 Bond Program. The 2014 Bonds will be used for the purpose of providing funds for the payment of contractual obligations to be incurred for making permanent public improvements and for other public purposes. The total project amount to be funded from the sale of the 2014 Bonds is detailed below:

Streets, Bridges, and Sidewalks	\$103,495,523
Drainage and Flood Control	36,314,500
Parks, Recreation, and Open Space	31,254,790
Library, Museum, and Cultural Arts Facilities	6,925,828
Public Safety Facilities	2,322,093
Total 2014 Bonds	\$180,312,734

The 2014 Bonds are also being issued to refund approximately \$72,575,000 of various outstanding general obligation issuances of the City. This refunding transaction is projected to produce total savings of approximately \$6,488,786 and net present value savings of \$6,011,661 or 8.28% of the refunded obligations.

The total project amount to be funded is approximately \$180,312,734 in new money bonds and approximately \$78,836,709 in refunding bonds for a combined amount of \$259,149,443. The maximum issuance amount included is up to \$265,000,000. The differential is attributable to the potential issuance of the 2014 Bonds 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 2014 Bonds.

The 2014B Notes will be used for the purpose of providing funds for the payment of contractual obligations to be incurred for making permanent public improvements and for other public purposes. The total project amount to be funded is \$6,189,000, while the maximum principal amount included is up to \$8,000,000. The differential is attributable to the potential issuance of the 2014B 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 2014B Notes. The total project amount to be funded from the sale of the 2014B Notes is detailed below:

Streets	\$2,189,000
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Land Acquisition	4,000,000
Total 2014B Notes	\$6,189,000

The City is reducing the voted 2012 General Obligation Bond Authorization by \$4,000,000 for the reduction in cost for the U.S. 281/Loop 1604 Northern Interchange project and is proposing to issue the \$4,000,000 as 2014B Notes for the acquisition of land related to the Convention Center Expansion Project.

Approval of these ordinances will give parameter sale authorization for the sale of the 2014 Bonds and 2014B 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 2014 Bonds and the 2014B Notes will be sold the week of July 28, 2014 by an underwriting syndicate led by Piper Jaffray & Co. as Senior Book Running Manager; Stifel, Nicolaus & Company, Incorporated as Co-Senior Manager; and Cabrera Capital Markets, LLC, Loop Capital Markets, LLC, M.E. Allison & Co., Inc., SAMCO Capital Markets, Inc., and Southwest Securities, Inc. as Co-Managers. Delivery and closing of the 2014 Bonds and the 2014B Notes is anticipated to occur on August 20, 2014. Fulbright & Jaworski 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 transactions will fund capital projects that have been approved in the FY 2014 Adopted Capital Budget and FY 2014 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.

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 2014 Bonds and 2014B Notes and a Resolution that establishes the City's intention to reimburse itself for prior lawful expenditure of funds.