

Mayor and Council Communication

DATE: 02/16/21

M&C FILE NUMBER: M&C 21-0113

LOG NAME: 13NOTICE OF INTENTION - SERIES 2021 CERTIFICATES OF OBLIGATION

SUBJECT

(CD 5) Adopt Ordinance Directing Publication of Notice of Intention to Issue Combination Tax and Revenue Certificates of Obligation in an Amount Not to Exceed \$18,500,000.00 for Improvements to Trinity Boulevard and Expressing Intent to Reimburse Initial Project Expenditures from Proceeds if Debt Is Issued

RECOMMENDATION:

It is recommended that the City Council adopt the attached ordinance, which directs publication of notice of the City's intention to issue Combination Tax and Revenue Certificates of Obligation, Series 2021, in an amount not to exceed \$18,500,000.00 for improvements to Trinity Boulevard; approves the form of notice; directs notice to be published in accordance with state law; and expresses official intent for the City to reimburse itself from proceeds of the debt sale, if debt is issued, for project related expenditures incurred prior to issuance.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions associated with issuing Certificates of Obligation (C.O.s) for improvements to Trinity Boulevard.

Under state law the City Council has the authority to issue C.O.s without explicit prior voter approval, provided that notice must be published and the public provided an opportunity to petition for an election to be held. In addition, the City has established financial policies governing the issuance of C.O.s that limits their use to finance public improvements in special circumstances and only after determining the City's ability to assume additional debt. An example of special circumstances is a situation, such as the one posed here, where it would be more economical to issue C.O.s rather than revenue bonds.

The Trinity Boulevard project, which includes certain improvements to road, sidewalk, and stormwater infrastructure, qualifies for C.O. financing under both state law and City policy. The Board of the adjacent Tax Increment Reinvestment Zone No. 14 (Trinity Lakes) (TIF) has authorized participation in the project, and the City Council previously approved a TIF development agreement in the amount of \$18,500,000.00 for the project (M&C 20-0939).

Although the City anticipates the entire cost of the C.O.s to be repaid from TIF revenues, staff is recommending issuance of combination tax and revenue C.O.s with the City's taxing authority and a limited pledge of surplus water and sewer revenues (not to exceed \$1,000.00). Pledging the City's tax authority will allow the debt financing to achieve a more favorable interest rate. Making a limited pledge of surplus water and sewer revenues meets state law provisions that require identification of a revenue source when using revenue as a potential source of repayment.

Upon City Council approval, the City Manager shall publish the initial Notice of Intention on February 17 or 18, 2021 and will post the notice on the City's website at the same time. The second Notice of Intention will be published on the same day of the week following the first notice.

An ordinance to authorize issuance and delegate authority for the sale of the C.O.s is scheduled to be brought back for Council consideration on April 6, 2021. The C.O.s are intended to be sold on a competitive basis with closing and delivery of the C.O. funds anticipated to occur in the late spring/early summer timeframe.

In addition to setting the form of notice and directing its publication, adoption of the attached ordinance would also serve as the City Council's adoption of a formal statement of intent to reimburse preliminary costs for the project out of the issuance from the certificates. This aspect of the ordinance does not obligate the City to sell C.O.s, but preserves the ability for the City to reimburse itself from tax-exempt debt proceeds if it does. This mechanism allows the project to continue forward until debt proceeds are available. A separate M&C to appropriate an interim funding source will be brought forward for Council consideration; any expenses incurred against that initial funding source would be repaid out of debt proceeds following issuance, sale, and receipt of proceeds.

This project is located in COUNCIL DISTRICT 5.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of this recommendation will have no material effect on City funds.

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Expedited