

Mayor and Council Communication

DATE: 04/13/21

M&C FILE NUMBER: M&C 21-0261

LOG NAME: 13SERIES 2021 COMBINATION TAX & REV CERTIFICATES OF OBLIGATION

SUBJECT

(CD 5) Adopt Attached Ordinance Authorizing Issuance and Sale of Series 2021 Combination Tax and Revenue Certificates of Obligation in an Aggregate Principal Amount Not to Exceed \$18,500,000.00 for the TIF-Funded Trinity Boulevard Project, Establishing Parameters with Respect to Sale of the Certificates, Delegating to Designated City Officials Authority to Effect Sale of the Certificates, and Enacting Other Provisions Related to the Subject and Adopt Attached Appropriation Ordinance

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached ordinance authorizing the issuance of Series 2021 Combination Tax and Revenue Certificates of Obligation in an aggregate principal amount not to exceed \$18,500,000.00; authorizing execution of all related documents; and approving the sale of the certificates subject to certain parameters being met, including providing for levy, assessment and collection of a property tax sufficient to pay the interest on and principal of the certificates if other revenues are not otherwise available and appropriated for those payments; delegating to designated City officials authority to effect the sale; and ordaining other matters related thereto; and
 2. Adopt the attached ordinance increasing estimated receipts and appropriations in the Trinity Lakes Tax Incremental Financing Certificates of Obligation 2021 Fund in the amount of \$19,000,000.00, for the purpose of paying (i) contractual obligations incurred or to be incurred for the financing of improvements to Trinity Boulevard within the City, and the payment of fiscal, engineering and legal fees incurred and (ii) costs of issuance of the certificates, with appropriations subject to the sale of the certificates and receipt of proceeds and all identified amounts being subject to reduction to conform to final figures reflected in closing documents and with any excess cost of issuance funds remaining after closing being transferred to the general debt service fund.
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DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions associated with the issuance and sale of Series 2021 Combination Tax and Revenue Certificates of Obligation (C.O.s) and appropriation of proceeds for the purpose of financing (i) improvements to Trinity Boulevard, and (ii) costs of issuance of the C.O.s.

Under state law the City Council has the authority to issue C.O.s without explicit prior voter approval, provided that notice of the intent to issue C.O.s is published in a newspaper and posted online in accordance with state law, providing the public an opportunity to petition for an election to be held. City Council authorized the Notice of Intent on February 23, 2021 (M&C 21-0113). In addition, the City has established financial policies governing the issuance of C.O.s that limit 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.

Staff is recommending that these obligations be sold through a competitive sale with identified City representatives being authorized to approve the terms of the sale so long as it comes within the parameters set forth in the Council-adopted ordinance. Key parameters include requiring the net effective interest rate not to exceed 2.50% and providing for levy, assessment and collection of a tax sufficient to pay the interest on and principal of the obligations if other revenues are not otherwise available and appropriated for those payments. Additionally, the C.O.s are structured with a maximum maturity date of September 1, 2033 to coincide with the expiration of the TIF.

Subsequent to accepting the best bid and awarding the sale of the bonds, the City will seek approval of the C.O.s from the Texas Attorney General with an estimated closing date on or around July 13, 2021. The attached appropriation ordinance reflects the maximum appropriation amount for the proceeds of the certificates. Its structure accommodates variables associated with sale of debt under delegated authority such as the uncertain final interest rate to be achieved and the possibility of a premium or discount being associated with the sale of the certificates. To the extent numbers at closing are less than those reflected in the ordinance, the available appropriation amount will be reduced as needed to reflect final figures based on the closing documents to ensure appropriations do not exceed actuals. Similarly, to the extent there are any remaining proceeds after paying cost of issuance expense, those funds are to be moved to the General Debt Service Fund for use toward repayment of the C.O.s.

This project is located in COUNCIL DISTRICT 5 with the C.O.s expected to be fully repaid from a TIF in that district but with the obligations being supported the full faith and credit of the City as a whole.

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 upon adoption of the attached ordinances, the sale of the series 2021 Combination Tax and Revenue Certificates of Obligation will occur as required under the parameters set forth therein, that funds will be available in the Trinity Lakes TIF CO 2021 Fund, and that funds will be available in the General Debt Service Fund to repay the debt when due and payable.

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Expedited