



City of Pflugerville

Legislation Text

File #: RES-0449, **Version:** 1

Consideration and action with respect to "RESOLUTION DIRECTING THE PUBLICATION OF NOTICE OF INTENTION TO ISSUE CITY OF PFLUGERVILLE, TEXAS COMBINATION TAX AND LIMITED REVENUE CERTIFICATES OF OBLIGATION, SERIES 2017B AND OTHER MATTERS RELATED THERETO." (TIRZ developer reimbursement)

The Reinvestment Zone #1 of the City of Pflugerville, Falcon Pointe TIRZ (TIRZ) was created in December 2010 with the intent of reimbursing the developer and the City for specific projects constructed within the TIRZ boundary. The approved project plan (as amended) outlined the developer construction projects: Colorado Sand Segment A, South Tract regional pond, South Tract lift station, Lone Star Ranch Boulevard, and East Pflugerville Parkway; and City construction projects: Colorado Sand Segment B. To date, all construction projects are complete.

In accordance with the TIRZ financing agreement, a project reimbursement audit was completed by an independent auditor. This audit concluded that as of March 30, 2016, the developer had expended approximately \$7.8 million on eligible projects. The financing plan also allows for interest to be paid to the developer on project costs for up to five years. In July 2016, the TIRZ reimbursed the developer \$6.3 million from the proceeds of the 2016B Certificate of Obligation issuance for projects (\$5.7 million) and interest (\$612,000). The remaining reimbursement due to the developer is \$2.3 million; \$2.1 million for eligible projects and an estimated \$200,000 in interest and bond issuance costs. The TIRZ financing plan outlines the rate of interest as the rate of debt issuance and since that rate has not yet been determined, the City has estimated the interest. The City expended \$2.2 million in eligible TIRZ related projects and is not eligible for interest under the TIRZ financing plan. In 2016, the TIRZ reimbursed the City \$1.5 million from the proceeds of the 2016C Certificate of Obligation issuance. The remaining reimbursement due to the City is \$660,000.

Since the creation of the TIRZ, the ad valorem taxes generated within the zone above a base value (or "increment") have been diverted from the City into the TIRZ funds. The City's financial advisor, Terrell Palmer of Hilltop Securities (formerly First Southwest), and Finance staff have analyzed the TIRZ funds and determined that the TIRZ funds can support the remaining \$2.3 million debt issuance at this time. This is the final issuance for projects included in the 2016 project reimbursement audit.

The attached resolution is the first step in the process of issuing tax-exempt debt to be funded by the TIRZ. By approving this resolution, the City is not bound to the issuance of bonds. However, if bonds are issued, the total amount cannot exceed \$2,300,000, as stated in the attached resolution prepared by Richard Donoghue, bond counsel. This amount includes project and bond issuance costs related to developer projects and interest. A subsequent agenda item is included for Council to consider approval of taxable certificates of obligation to reimburse the City's project costs in the TIRZ.

As noted, Mr. Terrell Palmer will be working with the City as the financial advisor for this transaction. Mr. Richard Donoghue, of McCall, Parkhurst, and Horton, will be working with the City as bond counsel. Mr. Donoghue will be at the City Council meeting to answer any questions you may have.

Deadline for City Council Action

In order to close on the bonds and receive the funds by December 12, 2017, this resolution must be approved on September 12, 2017.

Projected Future City Council Action

At this meeting, City Council will also be requested to approve a similar resolution related to the taxable certificates of obligation (2017C) for the City project costs in the TIRZ.

The next action to be taken by the City Council will be on October 24, 2017, to approve the preliminary official statement.

On November 14, 2017, at its regular meeting, Council will conduct a public hearing and award the sale of the certificates.

A tentative financing schedule is attached to this agenda item.

Fiscal Impact

The payments for these bonds will be made from TIRZ funds and will have no effect on the City's budget.

Staff Recommendation

Approve the resolution.

Drafter

Lauri Gillam

Assistant City Manager