



## MEMORANDUM

**To:** Mayor and City Council

**From:** Kim Tiehen, Assistant Director of Finance

**Via:** Jennifer Miller, Director of Finance

**Date:** October 12, 2021

**Reference:** Use of Proceeds from Sale of North Lake Property

**2040:** Sustainable Government

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### Introduction:

This item is being brought forward to obtain Council direction regarding use of the proceeds from the land sale. Council has two options regarding the use of the proceeds. Council can adopt a resolution that states the proceeds will be used for a purpose authorized under the 2008A Certificate of Obligations (Certificates) Ordinance, or it can adopt a Redemption Resolution which uses the proceeds to redeem the 2015 General Obligation Refunding Bonds (GO Refunding) which were issued to refund the 2008A Certificates.

### Analysis:

#### **Option 1: Use proceeds for a purpose authorized under the 2008A Certificates Ordinance.**

Under this option, Council would adopt a resolution authorizing the proceeds be used for projects consistent with the purpose provided in the 2008A Certificates Ordinance which stated:

*“The acquisition of approximately 360 acres, together with the acquisition of approximately 115 acres from the proceeds of the City’s Combination Tax and Revenue Certificates of Obligation, Taxable Series 2008B, being a total of approximately 475 acres all out of a tract of land of approximately 940 acres known as North Lake property owned by Luminant (the “Northlake Property”), being located east of south Beltline, south of east Beltline, west of Valley Ranch Road being located in Irving and north of Hackberry Road, to be used in part for water system improvements including storage facilities and pumping station and in part for future municipal improvements, facilities and purposes, and for paying legal, fiscal, and engineering fees in connection with such projects.”*

The term “municipal improvements” is very broad which allows flexibility regarding the type of project the proceeds can be used to complete. If this option is selected, the proceeds must be spent within two years of the land sale closing. Therefore, the proceeds must be spent by October 1, 2023.

## **Option 2: Use proceeds to redeem the 2015 General Obligation Refunding Bonds.**

If Council decides to redeem bonds rather than use the proceeds for authorized projects, the steps would be as follows:

1. At the first Council meeting after closing the land sale, adopt a redemption resolution redeeming a portion of the 2015 GO Refunding and approving an escrow agreement.
2. Within 90 days of closing on the land sale, deposit the sale proceeds into the escrow fund.
3. Immediately following 2 above, send a letter to the IRS notifying them of the sale of the land and the City's remedial action in redeeming a portion of the outstanding bonds.

If Council selects this option, City staff will work with the City's Bond Counsel and Financial Advisor (FA) to file the necessary IRS notification and to take the necessary steps to redeem the bonds. The FA would most likely have an escrow bid for treasury securities since the redemption date is not until February 1, 2025.

This option would have an impact on the Debt portion of the tax rate beginning in fiscal year 2022/2023. Specifically, by redeeming a portion of the 2015 GO Refunding bonds, the amount needed to make the principal and interest payments on outstanding debt would be reduced. The debt portion of the tax rate is established at the level necessary to meet the principal and interest payments due during the fiscal year. Reducing the annual principal and interest payment provides a corresponding reduction in the debt portion of the tax rate. This assumes the City's overall assessed taxable property value does not decline and additional debt is not issued as both would impact the tax rate calculation.

### **Legal Review:**

Both the City Attorney and Bond Counsel have reviewed this agenda item.

### **Fiscal Impact:**

Dependent upon which resolution Council adopts.

### **Recommendation:**

The Finance Department recommends approval of Option 2, Use proceeds to redeem the 2015 General Obligation Refunding Bonds.