



AGENDA MEMORANDUM

First Reading for the City Council Meeting of January 23, 2024
Second Reading for the City Council Meeting of January 30, 2024

DATE: January 30, 2024

TO: Peter Zaroni, City Manager

FROM: Alma I. Casas, Interim Director of Finance and Procurement
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**Delegating the Authorization for the Issuance of Utility System Revenue
Improvement Bonds (SWIFT II Tranche 2)**

CAPTION:

Ordinance by the City Council of the City of Corpus Christi, Texas authorizing the private placement issuance of its Utility System Senior Lien Revenue Improvement Bonds with the Texas Water Development Board in one or more series (as designated by purpose and series) for water, wastewater, and stormwater utility improvements in an amount not to exceed \$211,050,000, within set parameters; making provisions for the payment and security thereof by a first and prior lien on and pledge of the net revenues of the City's Utility System on a parity with certain currently outstanding Utility System Revenue Obligations; stipulating the terms and conditions for the issuance of additional revenue bonds on a parity therewith; prescribing the form, terms, conditions, and resolving other matters incident and related to the issuance, sale, and delivery of one or more paying agent/registrar agreements and one or more escrow agreements; complying with the requirements imposed by the letter of representations previously executed with the Depository Trust Company; complying with the regulations promulgated by the Texas Water Development Board; delegating authority to the City Manager, the Chief Financial Officer, and the Director of Finance and Procurement to execute certain documents relating to the sale of each series of bonds; authorizing the execution and approval of a financing agreement between the City and the Texas Water Development Board related to the bonds; enacting other provisions incident and related to the subject and purpose of this ordinance; and providing an effective date.

SUMMARY:

The City intends to issue \$211,050,000 of Utility System Junior Lien Revenue Improvement Bonds funded by the Texas Water Development Board State Water Implementation Fund for Texas (SWIFT) Loan Program to build the Inner Harbor Desalination Water Treatment Plant. The amount of bond issuance included in the ordinance includes estimated costs of issuance and accounts for any fluctuations in the bond market at the time of pricing. The ordinance delegates the authority to issue the bonds to the City Manager, Chief Financial Officer, or the Director of Finance and Procurement within the parameters set forth in the ordinance.

BACKGROUND AND FINDINGS:

The SWIFT loan program was created by the Texas Legislature to provide affordable, ongoing state financial assistance for projects in the state water plan. The program helps communities develop cost-effective water supplies by providing low-interest loans, extended repayment terms, deferral of loan repayments, and incremental repurchase terms. Through fiscal year 2019, SWIFT committed over \$8.3 billion for projects across Texas.

To apply for funding, entities must first submit an abridged loan application for their projects to be evaluated. The projects are ranked and the top projects that are within the limits of available funding are invited to submit a full application.

Once the full application is evaluated and approved, TWDB offers financing through the loan program. The interest rate charged by the TWDB is based on the TWDB's cost of funds sold with the State of Texas' General Obligation AAA rating. The lending rate balances reasonable rates for TWDB customers that cover TWDB's cost of funds and risk exposure. Utilization of the TWDB funding option is being recommended especially since the interest rate that will be charged for these obligations is based on a AAA rating -- which is a higher rating than the City's AA-/Aa3 rating for its utility priority lien bonds and junior lien utility bonds therefore resulting in a lower interest rate. In addition, the SWIFT loan program provides a percentage subsidy reducing the interest rate.

The City entered into a multi-year annual commitment loan through the SWIFT Loan Program with the Texas Water Development Board in Fiscal Year 2020 for a total amount of \$222,475,000 for the purpose of building a desalination water treatment plant. On October 13, 2020, the City Council passed a resolution to issue the first tranche of this multi-year annual commitment loan for an amount of \$11,425,000.

On January 23, 2024, the City received an email from the TWDB requesting the City to commit to the SWIFT II Tranche 2 loan opportunity. This commitment letter is the final opportunity for the City to commit to the amount requested in the SWIFT II low-interest rate loan. This commitment allows the TWDB to model the total amount of bonds they will sell for the entire SWIFT Program. The City needs to submit a response to this commitment no later than February 7, 2024. As part of this response, the City will need to commit to the full \$211,050,000, a revised loan amount, or decline the low-interest rate loan. If the City does not respond by February 7, 2024, the City will lose the opportunity to receive the low-interest rate loan from the TWDB. By moving forward with this loan, the City would save approximately \$36 million in interest payments due to subsidized interest rates that are offered through this program.

Because of the fluctuating conditions in the municipal bond market and to ensure that all legal documents are executed on a timely basis, our Financial Advisor and our Bond Counsel (Norton, Rose, Fullbright) has recommended that the City Council delegate to the City Manager, Chief Financial Officer, and the Director of Finance and Procurement - including any person serving in any of the foregoing capacities on an interim or non-permanent basis (the "Authorized Officials") the authority to approve the sale of the bonds subject to the following parameters:

- 1) The principal amount in total of all bonds sold may not exceed \$211,050,000.
- 2) The interest rate will be set by the terms of the Texas Water Development Board SWIFT Loan guidelines.
- 3) Maximum maturity of 30 years.

The City's bond counsel has confirmed that the City can delegate the sale of the bonds to the Delegated Officials in the manner outlined above pursuant to the authority contained in Chapter 1371, as amended, Texas Government Code.

ALTERNATIVES:

n/a

FISCAL IMPACT:

The fiscal impact of this ordinance is that it will generate \$211,050,000 in bond proceeds for use on the Inner Harbor Desalination Water Treatment Plant.

COMMENTS:

None.

RECOMMENDATION:

Staff recommends approval of the ordinance as presented.

LIST OF SUPPORTING DOCUMENTS:

Ordinance

TWDB Fiscal Year 2024 Annual Confirmation of Multi-Year Commitment Request