



AGENDA MEMORANDUM

Future Item for the City Council Meeting of June 19, 2012
Action Item for the City Council Meeting of June 26, 2012

DATE: June 26, 2012

TO: Ronald L. Olson, City Manager

FROM: Constance P. Sanchez, Director of Financial Services
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<p>Refunding of Corpus Christi Business and Job Development Corporation Seawall Bonds</p>

PURPOSE:

Resolution by the City Council of the City of Corpus Christi, Texas relating to “Corpus Christi Business and Job Development Corporation Sales Tax Revenue Refunding Bonds, Series 2012 (Seawall Project)”; approving the resolution of Corpus Christi Business and Job Development Corporation authorizing the issuance of such bonds; and resolving other matters incident and related to the issuance of such bonds; and providing an effective date.

BACKGROUND AND FINDINGS:

On September 1, 2001, the Corpus Christi Business and Job Development Corporation (i.e., the Corporation) issued \$43,960,000 of sales tax revenue bonds with an interest rate ranging from 4.00% to 5.375% to fund seawall improvements. These were 20-year, tax-exempt bonds with a 10-year par call feature – meaning that for 10 years, the bond holders are guaranteed payment of interest on those bonds without early repayment by the Corporation. Once the 10 years pass, then the issuer (i.e., the Corporation) could “call back” those bonds to either refinance them or to pay off the debt. The 10 year call date occurred on September 1, 2011.

City staff made two presentations to the Corporation regarding the refunding of the seawall bonds: July 18, 2011 and April 16, 2012. Three scenarios were presented to the Corporation. The first scenario depicted the traditional 10-year par call feature. With the current bond market, refunding these bonds would generate a \$4.113 million present value savings (or 12.39%) at a true interest cost of 3.07%. The second scenario depicted a 7-year par call feature. Present value savings generated from this scenario were estimated to be \$3.377 million (or 10.18%) at a true interest cost of 3.36%. The third scenario was a more unique 5-year par call feature which was estimated to generate a present value savings of \$2.153 million (or 6.49%) at a true interest cost of 3.87%. The various scenarios were presented to the Corporation to provide some flexibility for the future use of this sales tax. At Corporation's monthly meeting held on April 16, 2012, the Board voted to proceed with refunding the Seawall Sales Tax and Revenue Bonds with the 10-year par call feature.

Four actions were needed by the Corpus Christi Business and Job Development Corporation (i.e., "the Corporation") to effectuate this transaction: (1) approval of a financial advisor; (2) approval of bond counsel; (3) approval of the underwriters; and (4) approval of the resolution authorizing the issuance of the seawall refunding bonds.

The financing team for this transaction involves three parties: the financial advisor, bond counsel, and the underwriters. On June 18, 2012, the Corporation authorized the appointment of M. E. Allison & Co., Inc. as financial advisor; Fulbright & Jaworski L.L.P. as bond counsel; and Coastal Securities, Inc. as Senior Underwriter, and Citigroup Global Markets and Hutchinson, Shockey, Erley & Co. as Co-Managers for the Corpus Christi Business and Job Development Corporation Sales Tax Revenue Refunding Bonds, Series 2012 (Seawall Project).

The Corporation also approved a resolution to authorize the issuance of the refunding bonds. The resolution delegates to the President, Vice President, Secretary, or the Executive Director of the Corporation the authority to affect the sale of the refunding bonds when market conditions so warrant, subject to satisfying specific parameters.

City Council action is now needed to approve the resolution voted upon by the Corporation.

ALTERNATIVES: n/a

OTHER CONSIDERATIONS: n/a

FINANCIAL IMPACT:

Not Applicable Operating Expense Revenue CIP

FISCAL YEAR:	Project to Date Exp. (CIP Only)	Current Year	Future Years	TOTALS
Budget - Debt Payments	-	-	\$47,331,456	\$47,331,456
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	-	\$42,175,717	\$ 42,175,717
BALANCE	-	-	\$5,155,739	\$ 5,155,739
FUND(S): Fund 1120 "Improvement Seawall Fund"				

COMMENTS:

The \$5,155,739 noted above represents savings in debt payments by refunding the seawall bonds for the remaining life of the bonds – through 2022. This represents a net present value savings of \$4,113,406.

RECOMMENDATION:

Staff recommends approval of the resolution as presented.

CONFORMITY TO CITY POLICY:

This item conforms to City policy.

EMERGENCY / NON-EMERGENCY:

- n/a

DEPARTMENTAL CLEARANCES:

- Corpus Christi Business and Job Development Corporation
- Bond Counsel
- Legal Department
- Financial Services

LIST OF SUPPORTING DOCUMENTS:

Resolution

cc: Lisa Aguilar, Assistant City Attorney
Charlotte Yochem, Senior Assistant City Attorney
Eddie Houlihan, Assistant Director of Management and Budget
Margie C. Rose, Assistant City Manager