



## AGENDA MEMORANDUM

Action Item for the City Council Meeting of September 30, 2014

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**DATE:** September 30, 2014

**TO:** Ronald L. Olson, City Manager

**FROM:** Wes Pierson, Assistant City Manager over General Government & Operations Support  
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Funding of Utility Improvements in the Southside FM 2444 Annexation Area
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**CAPTION:**

Resolution regarding the funding of utility improvements in the Southside FM2444 Annexation Area with property taxes from the area.

**PURPOSE:**

At the September 23, 2014 City Council meeting, City Council passed a motion directing staff to bring forward a recommendation to have the property tax revenue from the proposed APEX Wind Farm resulting from the Southside FM 2444 annexation be used to pay for the utility extension to that area so that the costs don't affect the City's utility customers.

**BACKGROUND AND FINDINGS:**

On September 16, 2014, the City Council approved the first reading of an ordinance annexing Laureles Farm Tracts adjacent to the city limits located in Nueces County along and on both sides of FM 2444, areas south of FM 2444 and west of County Road 41, commonly referred to as a portion of the Chapman Ranch and a portion of the proposed APEX Wind Farm. After an Executive Session on September 23, 2014, the City Council passed a motion to direct staff to bring forward a recommendation, prior to the second reading of the annexation, to have the property tax revenue from the proposed APEX Wind Farm be used to pay for the utility infrastructure needed in the newly annexed area. Since the second reading of the annexation is scheduled for September 30, 2014, this item is also being presented at the same meeting.

Based on the City's financial analysis for the proposed annexation, it is estimated that the property tax revenue generated from the proposed wind farm would be sufficient to pay for the debt needed to be used to fund installation of utility infrastructure of approximately \$13,000,000 to the newly annexed area.

Staff recommends utilizing certificates of obligation paid from ad valorem taxes to fund the extension of the City's utility infrastructure to this area. Since part of the City's property tax rate goes towards debt service (the I&S or interest and sinking portion), the additional amount generated by the APEX Wind Farm in the Debt Service Fund would be used to pay the debt service on this debt. In the event that additional property tax revenue is needed to pay the debt, then this amount would be transferred from the Maintenance and Operations (M&O) portion of the property tax rate in the General Fund to the Debt Service Fund as a part of each respective year's budget process. Any excess property tax revenue generated in the General Fund from the APEX Wind Farm would remain in the General Fund.

**ALTERNATIVES:**

An alternative would be to fund the utility infrastructure for the newly annexed area from utility rates.

**OTHER CONSIDERATIONS:** n/a

**CONFORMITY TO CITY POLICY:**

This item conforms to City policy.

**EMERGENCY / NON-EMERGENCY:** n/a

**DEPARTMENTAL CLEARANCES:**

- Utilities Department
- Office of Management and Budget
- Financial Services Department
- Legal Department

**FINANCIAL IMPACT:**

Not Applicable       Operating Expense       Revenue       CIP

FISCAL YEAR:	Project to Date Exp. (CIP Only)	Current Year	Future Years	TOTALS
Budgeted Property Tax Revenue	-	-	\$ 13,000,000	\$ 13,000,000
Estimated Cost for Utility Line Extension	-	-	\$ (13,000,000)	\$ (13,000,000)
This item	-		\$ -	\$ -
BALANCE	-	-	\$ -	\$ -
FUND(S): General Fund and Debt Service Fund				

**COMMENTS:**

The estimated cost for the utility infrastructure of the newly annexed area is estimated to be \$13,000,000. Staff has projected that sufficient property tax revenue will be generated annually from the APEX Wind Farm to cover the debt service on \$13,000,000 of certificates of obligation.

**RECOMMENDATION:**

Staff recommends approval of the resolution as presented.

**LIST OF SUPPORTING DOCUMENTS:**

- Resolution