



AGENDA MEMORANDUM

Future Agenda for the City Council Meeting of June 10, 2014
Action Item for the City Council Meeting of June 17, 2014

DATE: June 10, 2014

TO: Ronald L. Olson, City Manager

FROM: Constance P. Sanchez, Director of Financial Services
ConstanceP@cctexas.com
(361) 826-3227

Funding for Mary Rhodes Pipeline, Phase 2

CAPTION:

- A. Motion authorizing the appointment of M. E. Allison, & Co., as Financial Advisor for the issuance of "City of Corpus Christi, Texas Utility System Junior Lien Revenue Improvement Bonds, Series 2014A and Series 2014B" in an aggregate amount not to exceed \$155,000,000.
- B. Ordinance authorizing the issuance of "City of Corpus Christi, Texas Utility System Junior Lien Revenue Improvement Bonds, Series 2014A", in an amount, when combined with other City Utility System Revenue Obligations authorized on the date hereof, not to exceed \$155,000,000; making provisions for the payment and security thereof by a junior and inferior lien on and pledge of the net revenues of the City's Utility System; prescribing the form, terms, conditions, and resolving other matters incident and related to the issuance, sale, and delivery of the bonds; including the approval and distribution of an official statement pertaining thereto; authorizing the execution of a paying agent/registrar agreement and a purchase contract; complying with the requirements imposed by the letter of representations previously executed with the depository trust company; delegating the authority to the Mayor and certain members of the City staff to execute certain documents relating to the sale of the bonds; and providing an effective date.
- C. Ordinance authorizing the issuance of "City of Corpus Christi, Texas Utility System Variable Rate Junior Lien Revenue Improvement Bonds, Series 2014B", when combined with other City Utility System Revenue Obligations authorized on the date hereof, not to exceed \$155,000,000; making provisions for the payment and security thereof by a junior and inferior lien on and pledge of the net revenues of the City's Utility System; prescribing the form, terms, conditions, and resolving other matters incident and related to the issuance, sale, and delivery of the bonds; including the approval and distribution of an official statement pertaining thereto; authorizing the execution of a paying agent/registrar agreement and a purchase contract; complying with the requirements imposed by the letter of representations previously executed with the depository trust company; delegating the authority to the Mayor and certain members of the City staff to execute certain documents relating to the sale of the bonds; and providing an effective date.

PURPOSE:

This agenda item authorizes the issuance of up to \$155,000,000 of City of Corpus Christi Utility System Revenue Bonds to fund the construction of Mary Rhodes Pipeline, Phase 2.

BACKGROUND AND FINDINGS:

Part A:

Issuance of bonds requires utilization of a financing team which is made up of three parts: the financial advisor, bond counsel, and the underwriting syndicate. Part A of this agenda item authorizes the appointment of M. E. Allison & Co., Inc. as financial advisor for this transaction. See Exhibit A for the Financial Advisor's fee schedule.

Fulbright & Jaworski L.L.P. is currently under contract with the City to serve as the City's bond counsel and will serve as the second part of our financing team. The third part of the financing team is the underwriters, and selection of the syndicate of underwriters from the City's pool of approved underwriters is being recommended for delegation to the Mayor, City Manager, Assistant City Manager for General Government and Operations Support, and Director of Financial Services in Part B of this agenda item.

Parts B and C:

On November 12, 2013, the City Council approved an ordinance expressing the City's intent to reimburse itself for costs incurred prior to the receipt of the bond proceeds. This agenda item will authorize the issuance of the bonds to reimburse the City for any costs already incurred and to fund the balance of the project. The budget for Mary Rhodes Pipeline, Phase 2 is approximately \$161 million. In 2010, the City secured a loan with the Texas Water Development Board in the amount of \$8 million for design work on the project. Project construction began in April 2014, and the remaining balance is needed to pay for the project. Estimated completion for the project is summer of 2015. Funding is being recommended through the issuance of City of Corpus Christi Utility System Junior Lien Revenue Improvement Bonds.

In an effort to provide the City with the most flexibility, authorization is being requested for the issuance of both fixed rate bonds (Part B) and variable rate bonds (Part C). Consideration is being given to issuing variable rate bonds for about one-third of the issuance for a short-term period of 3 years. Interest rates on short-term variable rate debt are substantially lower than on fixed rate, which will provide the City rate pressure relief. Additionally, issuance of variable rate debt will afford the City time to determine whether or not to lease some of the water flowing through the pipeline to industrial customers. If that were to occur, then the variable rate bonds would be refunded into long-term fixed rate taxable bonds to accommodate "private use" restrictions applicable to tax-exempt debt that could result from any such leases. This would occur at the end of the aforementioned 3-year initial interest rate period. A 30-year amortization period is being recommended for these bonds.

Because of the fluctuating conditions in the municipal bond market, our financial advisor has recommended that the City Council delegate to the Mayor, City Manager, Assistant City Manager for General Government and Operations Support, and the Director of Financial Services (i.e., "Authorized Representatives") the authority to effect the sale of the bonds subject to the following parameters: (1) the principal amount of each series of bonds may not exceed \$155,000,000; and (2) none of the bonds shall bear interest at a rate greater than 7% per year. The City's bond counsel has confirmed that the City can delegate the sale of the bonds to the Authorized Representatives in the manner outlined above pursuant to the authority contained in Chapter 1371, as amended, Texas Government Code.

ALTERNATIVES:

n/a

OTHER CONSIDERATIONS:

n/a

CONFORMITY TO CITY POLICY:

This item conforms to City policy.

EMERGENCY / NON-EMERGENCY:

n/a

DEPARTMENTAL CLEARANCES:

- Bond Counsel
- Legal Department

FINANCIAL IMPACT:

Not Applicable
 Operating Expense
 Revenue
 CIP

FISCAL YEAR:	Project to Date Exp. (CIP Only)	Current Year	Future Years	TOTALS
Budget	-	-	-	-
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	\$155,000,000	-	\$155,000,000
BALANCE	-	\$155,000,000	-	\$155,000,000
FUND(S): CIP Fund (number to be determined after bond sale)				

COMMENTS:

n/a

RECOMMENDATION:

Staff recommends approval of the motion and ordinances as presented.

LIST OF SUPPORTING DOCUMENTS:

Exhibit A – Financial Advisor Fee Schedule Ordinance