



## **AGENDA MEMORANDUM**

First Reading for the City Council Meeting of May 8, 2018  
Second Reading for the City Council Meeting of May 15, 2018

---

**DATE:** April 26, 2018

**TO:** Margie C. Rose, City Manager

**THRU:** Sylvia Carrillo-Treviño, Assistant City Manager

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

<p>Authorization for Issuance of Certificates of Obligation for Streets and Facilities</p>
--

**CAPTION:**

Ordinance authorizing the issuance of “City of Corpus Christi, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018A” in an amount not to exceed \$15,750,000 for the purpose of financing costs associated with making permanent public improvements within the City; providing for the payment of said Certificates by the levy of an ad valorem tax upon all taxable property within the City and further securing said Certificates by a lien on and pledge of the pledged revenues of the Solid Waste System; providing the terms and conditions of said Certificates and resolving other matters incident and relating to the issuance, payment, security, sale, and delivery of said Certificates, including the approval and distribution of an Official Statement pertaining thereto; authorizing the execution of a paying agent/registrars agreement and a purchase contract; complying with the requirements of the letter of representations on file with the depository trust company; enacting other provisions incident and related to the subject and purpose of this ordinance; and providing an effective date.

**PURPOSE:**

The City plans on issuing up to \$9,650,000 of certificates of obligation to finish the remaining 2014 Bond Projects. Additionally, the City plans on issuing up to \$2,000,000 of certificates of obligation for the purpose making permanent public improvements to City facilities, and \$4,100,000 for street improvements related to the Texas Department

of Transportation's (TXDOT) Harbor Bridge Replacement Project. These will be sold in one issuance totaling \$15,750,000.

## **BACKGROUND AND FINDINGS:**

Bond 2014 Projects: At the August 16, 2016, City Council meeting, the City Council discussed issuing certificates of obligation to complete three projects from Bond 2014. The projects discussed were as follows:

- Rodd Field & Yorktown \$3,900,000
- Six Points 3,750,000
- Street Lighting Improvements 2,000,000
- \$9,650,000

Additionally, on January 24, 2017, the City Council approved a resolution relating to establishing the City's intention to reimburse itself for the prior lawful expenditure of funds from the proceeds one or more series of tax-exempt or taxable obligations to be issued by the City in an aggregate amount not to exceed \$9,650,000 for authorized purposes relating to constructing various City improvements. This agenda item is the first step in the process to acquire the funding for these projects.

Facilities: The City's Facilities Department has reviewed project needs throughout the City's inventory. Major immediate needs include roofs, chillers, and other improvements recently impacted and exacerbated by Hurricane Harvey. The \$2,000,000 would address the most immediate needs city-wide.

Harbor Bridge Replacement Project Related Street Improvements: During a City Council workshop held on July 13, 2017, four City streets were identified that needed improvements in anticipation of increased traffic volumes associated with TXDOT's Harbor Bridge Replacement Project:

- Comanche Street from Crosstown Expressway to Staples Street \$1,300,000
- Lipan Street from Crosstown Expressway to Upper Broadway \$1,100,000
- Surfside Boulevard from Coastal Avenue to Reef Avenue \$ 900,000
- Timon Boulevard from Coastal Avenue to Sandbar Avenue \$ 800,000
- \$4,100,000

Subsequently on August 15, 2017, the City Council approved a resolution relating to establishing the City's intention to reimburse itself for the prior lawful expenditure of funds relating to constructing various City improvements from the proceeds of one or more series of tax-exempt obligations to be issued by the City for authorized purposes in an aggregate amount not to exceed \$4,100,000. Additionally at the same meeting on August 15, 2017, the City Council approved a resolution directing the City Manager to fund repair of selected streets impacted by the Harbor Bridge Replacement Project using the financing option which provides the lowest cost to the City. City staff researched whether this project could be funded through a State Infrastructure Bank loan (SIB) through TXDOT – that offers a lower cost of borrowing. However, that option was not feasible since the projects are nearing completion. Therefore, certificates of obligation were identified as the funding mechanism.

The Certificates of Obligation Act provides that certificates of obligation can be sold for cash only in certain circumstances, such as to address a public emergency or if the certificates of obligation are benefitted by a revenue pledge. As a result, municipalities who do not fall under these emergency categories are required to pledge as additional security for their certificates of obligation, some source of revenue stream that is authorized to be pledged under Texas law. This pledge oftentimes takes the form of a limited amount (\$1,000) that the Texas Attorney General accepts as satisfying this revenue pledge requirement. The alternative (since the contemplated public improvements are not emergencies) to not pledging a revenue source and selling the certificates of obligation for cash would be to exchange the certificates of obligation directly with the provider of the goods or services – which would be prohibitively cumbersome for the City. Because of this requirement in the Certificates of Obligation Act and under advisement of the City’s bond counsel and the City’s financial advisor, the City is proposing to pledge \$1,000 (one time) of Solid Waste System revenue to these certificates of obligation. By doing so, the legal requirements of the Certificates of Obligation Act will be satisfied - with a nominal effect to the Solid Waste System. This Solid Waste System revenue pledge was disclosed in the City’s notice of intention to issue these Certificates of Obligation.

According to the Local Government Code, Section 271.049, prior to the issuance of the certificates of obligation, the City is required to publish notice of its intention to issue the certificates once a week for two consecutive weeks in a newspaper of general circulation, with the date of the first publication to be before the 30<sup>th</sup> day before the date set for passage of the ordinance to authorize the issuance of the certificates. The notices were in the *Corpus Christi Caller-Times* on March 25, 2018 and April 1, 2018. Thirty days after the date of the first publication is April 24, 2018, and so City Council action to approve this ordinance in its second reading is scheduled for May 15, 2018 and is in compliance with the Local Government Code.

**ALTERNATIVES:**

n/a

**OTHER CONSIDERATIONS:**

n/a

**CONFORMITY TO CITY POLICY:**

This item conforms to City policy.

**EMERGENCY / NON-EMERGENCY:**

Issuance of municipal obligations are exempted from the City’s charter provision regarding dual reading and/or emergency adoption provisions pursuant to the provisions of Section 1201.028, as amended, Texas Government Code.

**DEPARTMENTAL CLEARANCES:**

- Facilities Department
- Engineering Services
- Financial Services
- Bond Counsel
- City Attorney’s Office

**FINANCIAL IMPACT:**

Not Applicable    Operating Expense                       Revenue                       CIP

<b>FISCAL YEAR:</b>	<b>Project to Date Exp. (CIP Only)</b>	<b>Current Year</b>	<b>Future Years</b>	<b>TOTALS</b>
Budget	-	-	-	-
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	\$ 15,750,000	-	\$ 15,750,000
BALANCE	-	\$ 15,750,000	-	\$ 15,750,000
FUND(S): CIP Fund (number to be determined after bond sale)				

**COMMENTS:** None

**RECOMMENDATION:**

Staff recommends approval of the ordinance as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Ordinance