



## **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  
ConstanceP@cctexas.com  
(361) 826-3227

Fred Segundo, Director of Aviation  
FredS@cctexas.com  
(361) 289-0171 x1213

Refunding of Airport Bonds from Airport Revenue Bonds to  
General Improvement Bonds

### **PURPOSE:**

- A. Motion authorizing the appointment of M. E. Allison, & Co., as Financial Advisor for the City of Corpus Christi, Texas General Improvement Refunding Bonds, Series 2012A (Airport Refunding – AMT) and Series 2012B (Airport Refunding – Non-AMT).
  
- B. Ordinance by the City Council of the City of Corpus Christi, Texas authorizing the issuance of “City of Corpus Christi, Texas General Improvement Refunding Bonds, Series 2012A (Airport Refunding – AMT)”, levying an annual ad valorem tax, within the limitations prescribed by law, for the payment of the Bonds; 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; a purchase contract, and an escrow deposit letter; complying with the letter of representations on file 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 by the City Council of the City of Corpus Christi, Texas authorizing the issuance of “City of Corpus Christi, Texas General Improvement Refunding Bonds, Series 2012B (Airport Refunding – Non-AMT)”, levying an annual ad valorem tax, within the limitations prescribed by law, for the payment of the Bonds; 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/registrars agreement; a purchase contract, and an escrow deposit letter; complying with the letter of representations on file 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.

### **BACKGROUND AND FINDINGS:**

In 2000, the City of Corpus Christi issued \$13,010,000 of General Airport Revenue Bonds, Series 2000A (Exempt Facility Bonds) to fund construction of facilities at the Corpus Christi International Airport’s terminal complex. These bonds were classified as “AMT” bonds or alternative minimum tax bonds because the purchaser of those bonds could be subject to alternative minimum tax due to the potential for private business use that might be generated from the Airport terminal. The City also issued \$9,640,000 of General Airport Revenue Bonds, Series 2000B (non-AMT) to finance public roads for the airport and improvements to the parking facility- including covered parking and a toll plaza.

These bonds are secured by Airport revenues and have a debt covenant requiring net revenues each fiscal year to be sufficient to equal the greater of either an amount not less than 1.25 times the annual debt service requirement for the bonds or all amounts required to be deposited to the credit of the Airport Debt Service Fund, the Airport Debt Service Reserve Fund, the Airport Operating Reserve Fund, and the Airport Subordinated Debt Fund. These bonds have a 10-year call date and became callable on August 15, 2010. However, redeeming these bonds can only be made on interest payment dates which are February 15<sup>th</sup> and August 15<sup>th</sup> of each year. In analyzing the refunding for these bonds, the market had not been favorable due to the underlying BBB credit rating for the Airport.

In discussing this matter with City management and the City’s financial advisor, it is the City’s recommendation to refund these bonds into general obligation bonds backed by the full faith and credit of the City. The debt payments would still be made from Airport revenue and would still be an obligation of the Airport. They would be considered self-supporting debt and would not count against the City’s \$0.68 tax cap. By refunding as general obligation bonds, it is estimated that the Series 2000-A bonds would generate a net present value savings of \$628,854 or 7.6%, and the Series 2000-B bonds would generate a net present value savings of \$1,690,160 or 17.5%.

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, and Assistant City Manager in Parts B and C of this agenda item.

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, and Assistant City Manager (the “Delegated Officials”) the authority to effectuate the sale of the transactions when the market warrants. The City’s bond counsel has also confirmed that the City can delegate the sale of these bonds to the Delegated Officials in the manner outlined above pursuant to the authority contained in Chapter 1371, as amended, Texas Government Code. Parts B and C of this agenda item will authorize this delegation.

**ALTERNATIVES:** n/a

**OTHER CONSIDERATIONS:** n/a

**FINANCIAL IMPACT:**

Part B – AMT Bonds

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 - Debt Payments	-	-	\$11,150,040	\$ 11,150,040
Encumbered/Expended amount of (date)	-	-	-	-
This item	-		\$ 10,259,597	\$ 10,259,597
BALANCE	-	-	\$890,443	\$ 890,443
FUND(S): Debt Service Fund				

**COMMENTS:**

The \$890,443 noted above represents savings in debt payments by refunding the Airport revenue bonds into general obligation bonds for the remaining life of the bonds – through 2023. This represents a net present value savings of \$628,854.

Part C – Non-AMT Bonds

Not Applicable

Operating Expense

Revenue

CIP

FISCAL YEAR:	Project to Date Exp. (CIP Only)	Current Year	Future Years	TOTALS
Budget - Debt Payments	-	-	\$17,386,450	\$ 17,386,450
Encumbered/Expended amount of (date)	-	-	-	-
This item	-		\$ 15,134,363	\$ 15,134,363
BALANCE	-	-	\$2,252,087	\$ 2,252,087
FUND(S): Debt Service Fund				

**COMMENTS:**

The \$2,252,087 noted above represents savings in debt payments by refunding the Airport revenue bonds into general obligation bonds for the remaining life of the bonds – through 2030. This represents a net present value savings of \$1,690,160.

**RECOMMENDATION:**

Staff recommends approval of the motion and ordinances as presented.

**CONFORMITY TO CITY POLICY:**

This item conforms to City policy.

**EMERGENCY / NON-EMERGENCY:**

Issuance of municipal obligations are exempted from the City of Christi’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:**

- Airport
- Bond Counsel
- Legal Department

**LIST OF SUPPORTING DOCUMENTS:**

Exhibit A  
Ordinances

**cc:**

Lisa Aguilar, Assistant City Attorney  
Eddie Houlihan, Assistant Director of Management and Budget  
Margie C. Rose, Assistant City Manager  
Wesley S. Pierson, Assistant City Manager