



## **AGENDA MEMORANDUM**

Future Item for the City Council Meeting of August 14, 2012  
Action Item for the City Council Meeting of August 21, 2012

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**DATE:** August 21, 2012

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

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

Authorization for the Issuance of Utility System Revenue Bonds
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**CAPTION:**

- A. Motion authorizing the appointment of M. E. Allison, & Co., as Financial Advisor for one or more series of City of Corpus Christi, Texas Utility System Revenue Bonds, in an aggregate principal amount not to exceed \$75,000,000.
- B. Ordinance authorizing the issuance of one or more series of City of Corpus Christi, Texas Utility System Revenue Bonds, in an aggregate principal amount not to exceed \$75,000,000, pursuant to the delegation provisions set forth herein; making provisions for the payment and security thereof of a parity with certain currently outstanding Utility System revenue obligations; stipulating the terms and conditions for the issuance of additional revenue bonds on a parity therewith; prescribing the forms, terms, conditions, and resolving other matters incident and related to the issuance, sale and delivery of each series of bonds; including the approval and distribution of one or more Official Statements pertaining thereto; authorizing the execution of one or more paying agent/registrars agreements, one or more escrow agreements, and one or more purchase contracts; complying with the requirements imposed by the letter of representations previously executed with the depository trust company; establishing the City's intention to reimburse itself from the proceeds of any such series of bonds for the prior lawful expenditure of funds to construct various City improvements; delegating the authority to the Mayor and certain members of the City staff to execute certain documents relating to the sale of each series of bonds; and providing an effective date.

## **PURPOSE:**

The City plans on issuing up to \$75,000,000 of Utility System Revenue Bonds to fund utility projects outlined in Year 1 of the Fiscal Year 2013 Capital Improvement Plan.

## **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, and Director of Financial Services in Part B of this agenda item.

### **Part B:**

With the beginning of the new fiscal year, it is the City's intent to fully fund the utility projects outlined in Year 1 of the Fiscal Year 2013 Capital Improvement Plan (CIP) with Utility System Revenue Bonds. Included in these bonds will be funding for capital expenditures related to the acquisition, construction, equipping, or furnishing of any project or facility related to the City's Combined Utility System.

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 (the "Delegated Officials") 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 \$75,000,000; (2) none of the bonds shall bear interest at a rate greater than 7% per year, and (3) the bonds must have a rating issued by a nationally recognized municipal securities ratings organization in one of the four highest rating categories. The City's bond counsel has confirmed that the City can delegate the sale of the bonds to the Delegated Officials in the manner outlined above pursuant to the authority contained in Chapter 1371, as amended, Texas Government Code.

In addition, this ordinance gives the City the authority to reimburse itself from bond proceeds for qualifying expenditures. In order to adhere to the time schedules to insure timely completion of the CIP projects, the City must move forward with contracts prior to the completion of the final closing on the bonds. These amounts will not exceed \$75,000,000. For the City to be eligible for reimbursement of any expenditure incurred prior to the bond sale, the City must declare its intent to reimburse itself for payments

made prior to the bonds being sold. This action must meet specific U. S. Treasury Regulations and requires approval by the City Council.

**ALTERNATIVES:**

An alternative funding mechanism would be to use the Commercial Paper Program as interim financing for the utility projects. However, it is the City’s intent to discontinue the use of the Commercial Paper Program and issue utility revenue bonds at the beginning of the fiscal year instead to better manage the expenditures related to the CIP utility projects.

**OTHER CONSIDERATIONS:** n/a

**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	-	\$75,000,000	-	\$ 75,000,000
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	\$75,000,000	-	\$ 75,000,000
BALANCE	-	-	-	-
FUND(S): CIP Funds				

**COMMENTS:**

n/a

**RECOMMENDATION:**

Staff recommends approval of the motion and ordinance as presented.

**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:**

- Bond Counsel
- Legal Department

**LIST OF SUPPORTING DOCUMENTS:**

Exhibit A – Financial Advisor Fee Schedule  
Ordinance

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