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Discussion on Ballot Language for Texas Issuers of Ad Valorem Tax-Backed Debt

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Objectives

- Discuss Texas Law applicable to General Obligation Bond Elections of Texas cities;
- Discuss application of Texas law to the preparation of the City's November 2014 Bond Election Ordinance;
- Discuss options available to City to enhance transparency in future bond elections.

Texas Law

Election Ordinance and Requisite Notice of Election

1. Defined

1) Instrument used to call an election and prescribe the terms of its conduct.

2) Key components:

a) Measure

b) Ballot Proposition

c) Election Administration

2. Notice of a City bond election requires posting / publication of a “substantial copy” of the Election Ordinance.

Election Ordinance Components - Measure vs. Ballot Proposition

1. “Measure” is a question or proposal submitted in an election for an expression of the voters’ will.
2. Ballot Proposition is the wording appearing on a ballot to identify the Measure.
3. Contents of Measure and Ballot Proposition in Election Ordinance formulate basis for “contract with voters”.

Issuance of Ad Valorem Tax-Backed Bonds

1. Unlike enterprise fund (or “revenue”) secured bonds (known as “revenue bonds”), Texas law requires voter approval as a condition to issuance.
2. Texas statutory law trumps City Charter provisions in matters relating to ad valorem tax-backed bond elections.
3. Texas statutes require Ballot Measure language for bond elections to state:
 - Total principal amount of bonds to be authorized; and
 - General description of purposes for which bonds to be issued.

Texas Supreme Court Ruling on Ballot Proposition Language

1. Identification of Measure must be formal and sure.
2. Neither the entire Measure, nor its every detail, need be on ballot, BUT MUST describe “chief features” of the Measure;
3. When citizens must fund the measure out of their own pockets, that fact constitutes a “chief feature” that must be on ballot;
4. Chief feature of an ad valorem tax-backed bond is levy of tax for repayment of approved bonds.

Texas Law Ballot Proposition Requirements

1. Prescribed by statute and Texas Supreme Court Ruling
 - Amount of bonds
 - Purpose
 - Source of repayment (levy of tax) (“chief feature”)
2. Extraneous information jeopardizes Texas Supreme Court’s “formal and sure” requirements.

Transparency

- Proposition language that will appear on ballot;
- Purpose for which the bonds are issued;
- Principal amount of the bonds;
- Taxes sufficient to pay annual principal and interest may be imposed;
- Expected debt service tax rate if debt is authorized;
- Max maturity date of approved bonds (not to exceed 40 years);
- Amount of tax debt outstanding at the time of the election;
- Amount of interest on tax debt outstanding at the time of the election; and
- Ad valorem debt service tax rate at time of election (“[\$0.XXX] per \$100”).

2014 Bond Election Ordinance

2014 Bond Election Ordinance – Section 10 (Transparency; NOT MEASURE; NOT BALLOT PROPOSITION)

SECTION 10. As required by and in accordance with Section 3.009(b)(5) and (7) through (9) of the Texas Election Code, added by the 83rd Texas Legislature, the City, as of its fiscal year beginning October 1, 2014, had outstanding an aggregate ad valorem tax-supported principal amount of debt equal to \$442,425,000; the aggregate amount of the interest owed on such City debt obligations, through respective maturity, totaled \$154,838,244; and the City levied an ad valorem debt service tax rate for its outstanding debt obligations of \$0.208458 per \$100 of taxable assessed valuation. Of the aforementioned City debt, the City considers \$61,697,056 and \$15,981,174 of that principal and interest, respectively, to be self-supporting debt payable from sources other than ad valorem taxes. The City estimates an ad valorem debt service tax rate of \$0.230362 per \$100 of taxable assessed valuation if the bonds that are subject of the Special Election are approved and are issued (taking into account the outstanding City bonds and bonds that are the subject of the Special Election, but not future bond authorizations of the City). This is only an estimate provided for Texas statutory compliance and does not serve as a cap on any City ad valorem debt service tax rate.

Suggestions for Increased Transparency

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- Goals – Increase transparency without negatively impacting the City or its finances
- Suggestions
 - More information under the transparency paragraph (Section 10);
 - Greater description of cover of notice publicized and posted (bullet list of Section 10 key terms).

2014 Bond Election – Notice of Election Cover

NOTICE OF ELECTION

THE STATE OF TEXAS	§
COUNTIES OF NUECES, ARANSAS, KLEBERG, AND SAN PATRICIO	§
CITY OF CORPUS CHRISTI	§

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TO THE RESIDENT, QUALIFIED VOTERS OF THE

CITY OF CORPUS CHRISTI

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TAKE NOTICE that an election will be held in the City of Corpus Christi Texas on November 4, 2014, CONCERNING THE ISSUANCE OF GENERAL OBLIGATION BONDS IN THE AMOUNT OF \$99,495,000 FOR PROVIDING STREET, THOROUGHFARE, AND SIDEWALK IMPROVEMENTS, EQUIPMENT STORAGE FACILITIES, AND SELL CERTAIN CITY LAND TO ACQUIRE AND IMPROVE EXISTING CITY PARKS IN ACCORDANCE WITH THE PARKS AND RECREATION MASTER PLAN, ALL in obedience to an ordinance duly entered by the City Council of the Corpus Christi Texas on August 12, 2014, which ordinance reads substantially as follows:

- Additions to Cover from the transparency paragraph:
 - Anticipated tax rate impact;
 - Anticipated impact on charges for city services;
 - Other.

Questions?

The logo consists of a stylized, upward-pointing chevron shape in a gold color, positioned above the first letter of the text.

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