



AGENDA MEMORANDUM

First Reading for the City Council Meeting of November 11, 2014
Second Reading for the City Council Meeting of November 18, 2014

DATE: November 11, 2014

TO: Ronald L. Olson, City Manager

FROM: Constance P. Sanchez, Director of Financial Services
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Authorization for the Issuance of Utility System Revenue Bonds – Variable Rate

CAPTION:

Ordinance authorizing the issuance of one or more series of City of Corpus Christi, Texas Utility System Variable Rate Junior Lien Revenue Improvement Bonds, in an aggregate principal amount, when combined with other City Utility System Revenue Obligations authorized on the date hereof, not to exceed \$115,000,000, pursuant to the delegation provisions set forth herein; 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 on 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, and one or more remarketing agreements, one or more tender agent 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 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 \$115,000,000 of Utility System Revenue Bonds to fund utility projects outlined in Year 1 of the Fiscal Year 2015 Capital Improvement Plan. In an effort to provide the City with the most flexibility, authorization is being requested for the issuance of both fixed rate bonds (with approval of a prior agenda item) and variable rate bonds (with approval of this agenda item). Consideration will be given to issuing variable rate bonds at the time of pricing, upon consultation by both the City's financial advisor and bond counsel. Interest rates on short-term variable rate debt are substantially lower than on fixed rate, which could provide the City rate pressure relief.

BACKGROUND AND FINDINGS:

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 2015 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 City Manager, Deputy 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 in total of all bonds sold may not exceed \$115,000,000 and (2) none of the bonds shall bear interest at a rate greater than 6% per year. 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 \$115,000,000. 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: 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:

- 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	-	\$115,000,000	-	\$ 115,000,000
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	\$115,000,000	-	\$ 115,000,000
BALANCE	-	-	-	-
FUND(S): CIP Funds				

COMMENTS: n/a

RECOMMENDATION:

Staff recommends approval of the ordinance as presented.

LIST OF SUPPORTING DOCUMENTS:

Ordinance