



## AGENDA MEMORANDUM

Approval at the City Council Meeting of February 24, 2015

**DATE:** February 24, 2015

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

**FROM:** Tom Tagliabue, Director of Intergovernmental Relations  
TomTag@cctexas.com  
(316) 826-3850

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

### Issuance of Tax Notes Related to Texas Military Preparedness Commission

#### **CAPTION:**

Ordinance by the City of Council of the City of Corpus Christi, Texas authorizing the issuance of "City of Corpus Christi, Texas Tax Notes, Series 2015" in an amount not to exceed \$5,090,000, levying an annual ad valorem tax, within the limitations prescribed by law, for the payment of the obligations; prescribing the form, terms, conditions, and resolving other matters incident and related to the issuance, sale, and delivery of the obligations; authorizing the execution of paying agent/registrar agreement and a loan agreement; complying with the provisions of the depository trust company's letter of representations; and providing an effective date.

#### **PURPOSE:**

The City plans on calling for redemption prior to stated maturity two outstanding bond issuances: "City of Corpus Christi, Texas General Improvement Bonds, Series 2007" and "City of Corpus Christi, Texas Combination Tax and Utility System Revenue Certificates of Obligation, Series 2007". Subsequently, the City plans on issuing up to \$5,090,000 of Tax Notes to fund projects associated with the Texas Military Preparedness Commission. This item was previously approved by the City Council on November 11, 2014 and November 18, 2014 but is being brought back to reflect final terms based on negotiations with the Texas Military Preparedness Commission (TMPC), which includes final interest rates, authorization to sign a loan agreement with the TMPC, and a revision to the series name of the bonds to 2015. The transaction's economics have not changed since originally approved by the City Council on November 18, 2014.

**BACKGROUND AND FINDINGS:** (Provided for informational purposes since nothing regarding this matter has changed since originally approved.)

Following the 2005 round of Base Realignment and Closure (BRAC), the City of Corpus Christi (City) received a \$10,507,390 loan from Texas Military Value Revolving Loan Fund through the Texas Military Preparedness Commission (TMPC) for two projects: (1) the expansion and reconstruction of Port Avenue from I-37 to US 181 and (2) the realignment of Flour Bluff Drive and extension of the Waldron Field runway. The Texas Department of Transportation (TxDOT), through the Corpus Christi Metropolitan Planning Organization (CCMPO), provided a \$10,878,300 match for the Port Avenue project making the total for both projects \$21,385,690.

The City of Corpus Christi issued two series of debt in 2007: (1) a series of 2004 voter-approved general obligation bonds and (2) a series of non-voted certificates of obligations (COs) to repay the TMPC loan. Together the two bond debts are referred to as the 2007 Obligations.

Both series were sold to the Texas Public Finance Authority (TPFA), acting on behalf of the Texas Military Preparedness Commission, to provide the City with assistance for projects targeting infrastructure related to military facilities located in and around the City. In order to provide a source of funding for the purchase of the City's 2007 Obligations, the TPFA sold its own bonds (Source Bonds). The TPFA, in turn, uses the money that the City sends for its debt service payments on the 2007 Obligations to make its debt service payments on their Source Bonds. The Port Avenue project was completed, but there is approximately \$2.4 million in unspent funds remaining from that project. The Waldron Field/Flour Bluff Drive project was never started due to opposition to the project, so approximately \$2.4 million remains in unspent funds from that project. The debt instruments, ordinances and loan contract prevent the remaining loan balance from being used for purposes other than the original projects. The City continues to make regular debt service payments on the principal and interest, but cannot pay off the remaining debt until 2016 because the City's 2007 Obligations nor the Source Bonds are callable until September 2016.

In order to repurpose the remaining proceeds, the City needs the consent of the TMPC (as the sole holder of 2007 COs) to amend the ordinance authorizing the issuance of the 2007 COs to allow for another purpose and needs permission from the TMPC to use the remaining proceeds for additional military value projects.

The City's bond counsel has proposed a transaction whereby the City will issue new tax notes while the TMPC simultaneously (or shortly thereafter) agrees (i) to an early and immediate redemption of the original 2007 Obligations and (ii) to purchase, on behalf of the TMPC (as it originally did in 2007 in connection with the issuance of the 2007 Obligations), the new tax notes. The City will pay to the TMPC the redemption amount of the 2007 Obligations (which should closely resemble the amount of unspent proceeds of 2007 Obligations); and the TMPC will then immediately turn around and use those proceeds to purchase the City's new 2015 tax notes.

This process should be neutral to the TMPC and to the TPFA since the TPFA will still have a source of payment of debt service of its Source Bonds which will now be the City's new debt. Likewise, the City should also be in relatively neutral position, as well.

The military value projects that are proposed to be financed with these tax notes are as follows:

**1. Sam Rankin Road Improvement**

To improve access and flow to the Strategic Military Port at the Port of Corpus Christi, Sam Rankin Road needs to be reconstructed. The project is a partnership between the Port of Corpus Christi and the City of Corpus Christi, to enhance access to Sam Rankin Road, which directly serves the staging lots and the railyard adjacent to the road and leading to Dock 8, 14 or 15 on the south side of the Corpus Christi Ship Channel, commonly referred to as the roll-on, roll-off docks. From this location, the Port moves shipments of military equipment by highway and rail to and from the forts and overseas installations. The Ports of Beaumont and Corpus Christi handled more than 50 percent of the equipment and material deployed to Iraq and Afghanistan since 2003. Sam Rankin Road will be expanded to a 28-foot wide road section from Port Avenue to West Broadway Street to include curb and gutter, storm water drains, and subsurface storm water sewer system. Funding of \$1,318,030 is needed for the City's share (approximately 76%) of the project to cover engineering design, roadway construction and utilities. The Port of Corpus Christi's funding commitment (approximately 24%) is \$408,094 million for a total project cost of \$1,726,125.

**2. Land Acquisitions of Clear Zones, Accident Prevention Zones and Encroachments**

The City of Corpus Christi, Nueces County and Naval Air Station Corpus Christi (NASCC) completed a Joint Land Use Study (JLUS) in 2013. The JLUS included recommendations for annexation and acquisition of land to ensure compatibility with the flight training mission of NASCC. The City has identified several parcels of land both inside and outside city limits it may wish to acquire within clear zones, accident prevention zones and other encroachment sites in close proximity to NASCC and its outlying airfields (Cabaniss, Waldron and the Corpus Christi International Airport) to create buffer zones. Eliminating potential land use incompatibilities will enhance readiness activities and ensure continuation of the military mission at NASCC. The City would consider acquisition of fee simple title, development easements, conservation easements, or other instruments that would prohibit incompatibilities and protect the mission and purpose of NASCC. The City estimates \$1.7 million for these various strategies, but will only consider transactions from a willing seller. No eminent domain authority will be used.

**3. NASCC South Gate Truck Lane**

As part of Force Protection Initiative, there is a need for a separate truck lane at the South Gate of NASCC on NAS Drive. Funds are needed to plan, design, engineer, relocate utilities, and construct the required serpentine lane inside and

outside the NASCC South Gate. NASCC will prepare planning document with specifications. Through an MOA with the City, the City would solicit bids for and oversee construction. The estimated budget for the new truck lane is \$1.5 million.

**4. NASCC Fence Line Replacement**

As part of Force Protection Initiative, various segments of security fence line around NASCC need to be replaced. The fences are old, have gaps, and do not conform to current homeland security standards. Enhanced fencing will address security needs and potential encroachments. The estimated budget for fence replacement is approximately \$500,000.

**5. CCIA Taxiway Expansion & Safety Enhancements**

Widen a taxiway at Corpus Christi International Airport (CCIA) from 50 feet to 75 feet and construct fillets to improve safe transit of US Coast Guard (USCG) assets from CCIA taxiways to the USCG apron. Further enhances safety by moving all Coast Guard planes from NASCC to CCIA. The estimated budget is approximately \$356,000. The private vendor constructing and leasing the new hangar for the USGC is spending \$344,755 to construct a 50-foot wide by 200-foot long section of taxiway. The City's loan funds would expand the taxiway and mitigate 90 degree turning movements on the apron.

The TPFSA approved the City's refunding request on Thursday, December 4, 2014. The City then submitted a new loan application to the TMPC, which was also approved on Thursday, December 4, 2014. This agenda item today will authorize the issuance of the new tax notes on the basis of finally negotiated terms with the TMPC (which do not impact the economics of the transaction approved by the City on November 18, 2014).

**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. Given time constraints based on negotiations with the TMPC, this ordinance adopting modifications to the transaction's terms will be approved on a single reading.

**DEPARTMENTAL CLEARANCES:**

- Office of Intergovernmental Relations
- Bond Counsel
- Legal Department

**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	-	\$5,090,000	-	\$ 5,090,000
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	\$5,090,000	-	\$ 5,090,000
BALANCE	-	-	-	-
FUND(S): CIP Funds				

**COMMENTS:** n/a

**RECOMMENDATION:**

Staff recommends approval of the ordinance as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Ordinance