



AGENDA MEMORANDUM

First Reading for the City Council Meeting of March 18, 2014
Second Reading for the City Council Meeting of March 25, 2014

DATE: March 18, 2014

TO: Ronald L. Olson, City Manager

FROM: Constance P. Sanchez, Director of Financial Services
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Approval of Financing for Phase 2 of Energy Projects
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CAPTION:

- A. Motion authorizing the appointment of M. E. Allison & Co., Inc. as Financial Advisor for the City of Corpus Christi, Texas Public Property Finance Contractual Obligations, Series 2014.
- B. Ordinance by the City Council of the City of Corpus Christi, Texas authorizing the issuance of "City of Corpus Christi, Texas Public Property Finance Contractual Obligations, Series 2014" in an amount not to exceed \$9,000,000, levying an annual ad valorem tax, within the limitations prescribed by law, for the payment of the contractual obligations; prescribing the form, terms, conditions, and resolving other matters incident and related to the issuance, sale, and delivery of the contractual obligations; authorizing the execution of a Payment Agent/Registrar Agreement and a Purchase and Investment Letter; complying with the requirements imposed by the Letter of Representations previously executed 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 contractual obligations; and providing an effective date.

PURPOSE:

The purpose of this agenda item is to provide financing needed in order to execute Amendment No. 2 for energy services with McKinstry Essention for work associated with Phase 2 of the retrofit assessment of the City's major facilities and energy audit.

BACKGROUND AND FINDINGS:

As part of a \$2,507,500 grant received from the Energy Efficiency and Conservation Block Grant Program, the City of Corpus Christi is required to conduct energy audits and retrofits of selected municipal buildings and selected facilities and infrastructure. Energy Savings Phase 1 was completed in 2013, and the City is moving forward with Phase 2.

Phase 2 includes 76 facilities, implementing a comprehensive strategy to continue to reduce energy and water consumption, as well as completing a city-wide Building Automation System at a cost of \$7,709,592. Energy and water efficiency applications will be implemented at City Hall, Police and Courts, the Science and Art Museums, Libraries, Community Centers, Fire Stations, Convention Center, Park and Recreations, Marina, Gas Department, Water Department and City Administration's Frost Bank.

In order to finance this project, several different financing tools were examined. Upon consultation with the City's financial advisor and bond counsel, Public Property Finance Contractual Obligations (PPFCO's) were identified as the most cost effective financing tool for this project, as was the case with Phase 1. Public Property Finance Contractual Obligations are authorized under Subchapter A, "Public Property Financing Act", Chapter 271 of the Local Government Code and are used to finance personal property and equipment acquisitions for a term not to exceed 25 years. "Personal property" includes appliances, equipment, facilities, and furnishings, or an interest in personal property; or material and labor incident to the installation of that personal property. It does not include real property. Based on a review of the attached list of projects, bond counsel concluded that approximately 95% of the projects qualify to be funded with PPFCO's. Building envelope improvements, which are approximately 5% of the project (\$379,360 of the total project amount of \$7,709,592) do not qualify. This includes the installation of weather stripping, chalking, sealants, etc. around buildings to reduce infiltration and exfiltration. Funding for the excluded portion will come from either the City's operational budget or from other general obligation debt.

Execution of Public Property Finance Contractual Obligations is similar to other debt the City issues. A financial advisor is utilized for the transaction, and appointment of M. E. Allison & Co., Inc. is being recommended in Part A of this agenda item.

Part B of this agenda item authorizes the issuance of the Public Property Finance Contractual Obligations and is structured as a parameter - similar to the City's most recent debt financings. The parameter ordinance authorizes the City Council to delegate to the Mayor, City Manager, and Assistant City Manager for General Government and Operations Support (i.e., "Authorized Representatives") the authority to effect the sale of the Contractual Obligations subject to the following parameters: (1) the principal amount of each series of the Obligations may not exceed \$9,000,000; (2) none of the Obligations shall bear interest at a rate greater than 7% per year; and (3) the Obligations 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 Contractual Obligations to the Authorized Representatives in the

manner outlined above pursuant to the authority contained in Chapter 1371, as amended, Texas Government Code.

Due to the size of this transaction, it is being structured as a privately-placed loan – meaning that our financial advisor will be soliciting bids to financial institutions. As a result, no underwriters will be needed for this transaction.

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 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:

- Bond Counsel
- Legal Department
- Engineering Services

FINANCIAL IMPACT:

PART B:

Not Applicable Operating Expense Revenue CIP

FISCAL YEAR:	Project to Date Exp. (CIP Only)	Current Year	Future Years	TOTALS
Budget	-	\$ -	\$ -	\$ -
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	\$ 9,000,000	\$ -	\$ 9,000,000
BALANCE	-	\$ 9,000,000	\$ -	\$ 9,000,000
FUND(S): Fund 3163 Energy Effncy CIP 2014 PPFCO				

COMMENTS:

Although the project is budgeted at \$7,709,592, the amount authorized in the parameter ordinance is an amount not to exceed \$9,000,000 to cover other costs included in the project budget including consultant fees, reimbursements, and contingencies.

RECOMMENDATION:

Staff recommends that City Council approve each part of this agenda item as presented.

LIST OF SUPPORTING DOCUMENTS:

Financial Advisor Fee Schedule
Summary of Projects
Ordinance