



AGENDA MEMORANDUM

Future Item for the City Council Meeting of September 24, 2013
Action Item for the City Council Meeting of October 8, 2013

DATE: September 24, 2013

TO: Ronald L. Olson, City Manager

FROM: Constance P. Sanchez, Director of Financial Services
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<p>Refunding of Corpus Christi Business and Job Development Corporation Arena Bonds</p>

CAPTION:

Resolution by the City Council of the City of Corpus Christi, Texas relating to “Corpus Christi Business and Job Development Corporation Sales Tax Revenue Refunding Bonds, Series 2013 (Arena Project)”; approving the resolution of Corpus Christi Business and Job Development Corporation authorizing the issuance of such bonds; and resolving other matters incident and related to the issuance of such bonds; and providing an effective date.

PURPOSE:

The purpose of this agenda item is for the approval by the City Council of a resolution that the Corpus Christi Business and Job Development Corporation passed on September 16, 2013 to refinance the Corpus Christi Business and Job Development Corporation Sales Tax Revenue Refunding Bonds, Series 2013 (Arena Project) at a lower interest rate to save money on future debt payments.

BACKGROUND AND FINDINGS:

On December 1, 2002, the Corpus Christi Business and Job Development Corporation (i.e., the Corporation) issued \$49,185,000 of sales tax revenue bonds with an interest rate ranging from 3.25% to 5.50% to fund the construction of a multi-purpose arena and the maintenance and operating costs of the arena. These were 20-year, tax-exempt bonds with a 10-year par call feature – meaning that for 10 years, the bond holders are guaranteed payment of interest on those bonds without early repayment by the Corporation. Once the 10 years pass, then the issuer (i.e., the Corporation) could “call back” those bonds to either refinance them or to pay off the debt. The 10-year call date occurred on September 1, 2013. It is estimated that refunding the outstanding balance of \$33,915,000 will result in a net present value savings of approximately \$2.9 million or 7.602% at a true interest cost of 3.56%.

Two actions were needed by the Corporation to effectuate this transaction: (1) approval of the financing team including the financial advisor, the bond counsel, and the underwriting team; and (2) approval of the resolution authorizing the issuance of the baseball stadium refunding bonds. Both actions occurred at the September 16, 2013 monthly meeting of the Corporation.

The financing team for this transaction involves three parties: the financial advisor, bond counsel, and the underwriters. On September 16, 2013, the Corporation authorized the appointment of M. E. Allison & Co., Inc. as financial advisor; Fulbright & Jaworski L.L.P. as bond counsel; Hutchinson, Shockey, Erley & Co., Inc. as Senior Underwriter, and FTN Financial and Robert W. Baird & Co., Inc. as Co-Managers for the Corpus Christi Business and Job Development Corporation Sales Tax Revenue Refunding Bonds, Series 2013 (Arena Project).

The Corporation also approved a resolution to authorize the issuance of the refunding bonds. The resolution delegates to the President, Vice President, Secretary, the Executive Director of the Corporation, or the City Manager of the City of Corpus Christi the authority to effectuate the sale of the refunding bonds when market conditions so warrant, subject to satisfying specific parameters.

City Council action is now needed to approve the resolution voted upon by the Corporation.

ALTERNATIVES:

The alternative would be to take no action on the refunding of the bonds.

OTHER CONSIDERATIONS:

Not applicable

CONFORMITY TO CITY POLICY:

Conforms to City Policy

EMERGENCY / NON-EMERGENCY:

Not applicable

DEPARTMENTAL CLEARANCES:

Financial Services
Legal Department

FINANCIAL IMPACT:

x Operating Revenue Capital Not applicable

FISCAL YEAR:	Project to Date Exp. (CIP Only)	Current Year	Future Years	TOTALS
Budget - Debt Payments	-	-	\$ 45,406,582	\$ 45,406,582
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	-	\$ 42,118,052	\$ 42,118,052
BALANCE	-	-	\$ 3,288,530	\$ 3,288,530
FUND(S): Fund 1130 "Arena Facility Fund"				

Comments: The \$3,288,530 noted above represents savings in debt payments by refunding the arena bonds for the remaining life of the bonds – through September 1, 2025. This represents a net present value savings of \$2,875,763.

RECOMMENDATION:

Staff recommends approval of the resolution as presented.

LIST OF SUPPORTING DOCUMENTS:

Resolution