



AGENDA MEMORANDUM

First Reading for the City Council Meeting of April 23, 2024
Second Reading for the City Council Meeting of May 14, 2024

DATE: April 11, 2024

TO: Peter Zanoni, City Manager

FROM: Alma I. Casas, Interim Director of Finance and Procurement
almac@cctexas.com
(361) 826-3610

Delegating the Authorization for the Issuance of Utility System Revenue
Improvement Bonds

CAPTION:

Consistent with the FY 2024 approved Three-Year Capital Improvement Program approved by the Corpus Christi City Council on September 5, 2023, consideration and approval of ordinance by the City Council of the City of Corpus Christi, Texas authorizing the issuance of its Utility System Senior Lien Revenue Improvement and/or Refunding Bonds in one or more series (as designated by purpose and series) for water, wastewater, and stormwater utility improvements in an amount not to exceed \$186,090,000 and refinancings in an amount not to exceed \$100,000,000 within set parameters and according to the plan of finance set by the City's financial advisors; making provisions for the payment and security thereof by a first and prior 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; delegating the authority to the City Manager, Chief Financial Officer, Director of Finance and Procurement and certain other authorized officials to approve and execute documents relating to the issuance; and providing an effective date

SUMMARY:

The City intends to issue \$186,090,000 of Utility System Junior Lien Revenue Improvement Bonds to fund the Capital Improvement Program for utilities. The amount of bond issuance included in the ordinance includes estimated costs of issuance and accounts for any fluctuations in the bond market at the time of pricing. In addition, the City may issue up to \$100,000,000 for current refundings and for savings. The ordinance delegates the authority to issue the bonds to the City Manager, Chief Financial Officer, or the Director of Finance and Procurement per the plan of finance set by the City's financial advisors and within the parameters set forth in the ordinance for net present value savings and true interest rate.

BACKGROUND AND FINDINGS:

Because of the fluctuating conditions in the municipal bond market and to ensure that all legal documents are executed on a timely basis, our financial advisor has recommended that the City Council delegate to the City Manager, Chief Financial Officer, and the Director of Finance and Procurement - including any person serving in any of the foregoing capacities on an interim or non-permanent basis (the "Authorized Officials") the authority to approve the sale of the bonds subject to the following parameters:

- 1) The principal amount in total of all bonds sold may not exceed \$286,090,000.
- 2) The true interest rate shall not exceed 5.50% per year.
- 3) Maximum maturity of July 15, 2054.
- 4) Minimum net savings on the refunding of \$2,600,000.

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.

On January 25, 2022, the City Council approved a reimbursement resolution to award contracts for the utility projects Capital Improvement Plan (CIP) prior to the issuance of bonds. This agenda item will allow for the issuance of Utility System Revenue Bonds to reimburse the City funds used for these projects.

The City intends to issue bonds in an amount not to exceed \$186,090,000 to fund Water, Wastewater, Gas, and Stormwater projects included in the Capital Improvement plan. In addition to the project funding, the City may issue bonds in an amount not to exceed \$100,000,000 for up to \$100,000,000 in current refunding. The current refunding will be for savings and the City will only move forward with these transactions if the savings achieved exceed a minimum savings of \$2,600,000.

Issuing bonds is a multi-step process. Staff will meet with rating agencies during the weeks of April 18th and April 24th, with expected ratings issued on May 3rd and May 10th. The sale of the bonds is expected in mid-June depending on market conditions with the financing closing in July. The City Council will be updated with the final results of the issuance at completion.

ALTERNATIVES:

n/a

FISCAL IMPACT:

The fiscal impact of this ordinance is that it will generate \$186,090,000 in bond proceeds for use on utility system improvements approved in the CIP budget and possibly refund bonds totaling \$100,000,000 for savings.

COMMENTS:

None.

RECOMMENDATION:

Staff recommends approval of the ordinance as presented.

LIST OF SUPPORTING DOCUMENTS:

Ordinance