



## **AGENDA MEMORANDUM**

Future Item for the City Council Meeting of February 25, 2014  
Action Item for the City Council Meeting of March 18, 2014

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**DATE:** February 25, 2014

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

**FROM:** Constance P. Sanchez, Director of Financial Services  
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Refunding of Lavaca-Navidad River Authority (LNRA)  
Water Supply Facilities Revenue Bonds for Debt Service Savings

### **CAPTION:**

Resolution authorizing the City Manager to take actions necessary to approve the issuance of refunding bonds designated as Lavaca-Navidad River Authority Water Supply Contract Revenue Refunding Bonds Taxable Series 2014, (Lake Texana Project); and other matters in connection therewith.

### **PURPOSE:**

Refunding the Lavaca-Navidad River Authority Water Supply Contract Revenue Bonds will realize debt service savings, resulting in lower debt payments for the City of Corpus Christi. These refunding bonds must be issued on a taxable basis because Formosa Plastics, Inc. is a party to the underlying take-or-pay contract.

### **BACKGROUND AND FINDINGS:**

In 1993 the City of Corpus Christi entered into an agreement with the Lavaca-Navidad River Authority (LNRA) to acquire the rights to purchase water from Lake Texana for a period of 42 years. In 2001, the City of Corpus Christi approved the issuance of bonds by LNRA to pay the federal contract for the water rights. Subsequently in 2002, the City of Corpus Christi approved the issuance of two series of bonds by LNRA to fund the City of Corpus Christi Lake Texana Project – water supply facilities (pump station). The City also executed contracts with the LNRA which obligated the City to make payments sufficient to pay a portion of the debt service payments for each series of these bonds. This is considered contract revenue debt on the City's books and is reflected as an operating expense in the City's Water Fund. Currently there is a refunding opportunity on these three series of bonds which is estimated to generate debt service savings.

The series of LNRA bonds being considered for refunding include: Series 2001 with a par amount of \$14,100,000; Series 2002A with a par amount of \$25,700,000; and Series 2002B with a par amount of \$6,200,000. The aggregate estimate principal amount of the refunding bonds is \$47,235,000, and the aggregate new present value savings is estimated to be \$4.85 million or 4.69%. The City of Corpus Christi will realize its proportionate share of these debt service savings.

The original debt payments for the three series of bonds were structured in such a way that the payments were relatively low and level every year - except for a balloon payment the last year in 2035 when the debt payments almost triple. This refunding will smooth out all the debt payments to achieve level payments throughout the life of the refunding bonds. The 1993 LNRA contract is otherwise not being amended or extended.

Additionally approval of this resolution authorizes the City Manager or his designee to consult with M. E. Allison & Co., Inc. as financial advisor for this transaction.

**ALTERNATIVES:**

The alternative would be to take no action on the refunding of the bonds. However, this would put pressure on the City of Corpus Christi water rates especially in 2035 when the LNRA debt payments almost triple.

**OTHER CONSIDERATIONS:** n/a

**CONFORMITY TO CITY POLICY:**

This item conforms to City policy.

**EMERGENCY / NON-EMERGENCY:** n/a

**DEPARTMENTAL CLEARANCES:**

- Utilities Department
- 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 (Debt payments)	-	-	\$ 84,093,555.00	\$ 84,093,555.00
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	-	\$ (74,316,792.70)	\$ (74,316,792.70)
BALANCE (Refunding Savings)	-	-	\$ 9,776,762.30	\$ 9,776,762.30
FUND(S): Water Fund				

**COMMENTS:**

The \$9,776,762.30 noted above represents savings in debt payments by refunding the three series of LNRA bonds for the remaining life of the bonds – through December 31, 2035. This represents a net present value savings over the remaining life of the bonds of \$4,852,872.86.

**RECOMMENDATION:**

Staff recommends approval of the resolution as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Resolution