



AGENDA MEMORANDUM

Future Agenda for the City Council Meeting of November 20, 2012
Action Item for the City Council Meeting of December 11, 2012

DATE: December 11, 2012

TO: Ronald L. Olson, City Manager

FROM: Constance P. Sanchez, Director of Financial Services
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Refunding of Existing General Improvement Bonds

CAPTION:

- A. Motion authorizing the appointment of M. E. Allison, & Co., as Financial Advisor for the City of Corpus Christi, Texas General Improvement Refunding Bonds, Series 2012C and for the City of Corpus Christi, Texas General Improvement Refunding Bonds, Taxable Series 2012.
- B. Ordinance by the City Council of the City of Corpus Christi, Texas authorizing the issuance of "City of Corpus Christi, Texas General Improvement Refunding Bonds, Series 2012C", levying an annual ad valorem tax, within the limitations prescribed by law, for the payment of the Bonds; prescribing the form, terms, conditions, and resolving other matters incident and related to the issuance, sale, and delivery of the Bonds, including the approval and distribution of an official statement pertaining thereto; authorizing the execution of a paying agent/registrars agreement; a purchase contract, and an escrow and trust agreement; complying with the letter of representations on file 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 bonds, and providing an effective date.
- C. Ordinance by the City Council of the City of Corpus Christi, Texas authorizing the issuance of "City of Corpus Christi, Texas General Improvement Refunding Bonds, Taxable Series 2012", levying an annual ad valorem tax, within the limitations prescribed by law, for the payment of the Bonds; prescribing the form, terms, conditions, and resolving other matters incident and related to the issuance, sale, and delivery of the Bonds, including the approval and distribution

of an official statement pertaining thereto; authorizing the execution of a paying agent/registrars agreement; a purchase contract, and an escrow and trust agreement; complying with the letter of representations on file 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 bonds, and providing an effective date.

PURPOSE:

In light of the low municipal bond interest rates (both tax-exempt and taxable), there is an opportunity for the City of Corpus Christi to refund existing general obligation/improvement bonds to achieve annual savings.

BACKGROUND AND FINDINGS:

The City currently has 9 outstanding general obligation/general improvement bond issuances that are eligible for refunding due to the low interest rate environment that currently exists. Four of these issuances are being recommended for a tax-exempt refunding. They are: General Improvement Bonds, Series 2001; Hotel Occupancy Tax Certificates of Obligation, Series 2002; General Improvement Refunding Bonds, Series 2003; and Marina Certificates of Obligation, Series 2005. Part B of this agenda item addresses this refunding. It is estimated that the net present value savings from this refunding will be approximately \$5.0 million or 14.8%.

Five issuances are being recommended for a taxable refunding. They are Certificates of Obligation, Series 2004; Certificates of Obligation, Series 2005; General Improvement Refunding, Series 2005; Certificates of Obligation, Series 2006; and Certificates of Obligation, Series 2008. All of these issuances relate to the landfill and are being recommended as a taxable refunding not only to benefit from the low interest rate environment but also to enable initiatives at the landfill to occur that might involve private business use that would be otherwise prohibited under IRS regulations if financed with tax-exempt municipal bonds. Part C of this agenda item addresses this refunding. It is estimated that the net present value savings from this refunding will be approximately \$4.4 million or 4.6%.

Issuance of bonds requires utilization of a financing team which is made up of three parts: the financial advisor, bond counsel, and the underwriting syndicate. Part A of this agenda item authorizes the appointment of M. E. Allison & Co., Inc. as financial advisor for these transactions. See Exhibit A for the Financial Advisor's fee schedule.

Fulbright & Jaworski L.L.P. is currently under contract with the City to serve as the City's bond counsel and will serve as the second part of our financing team. The third part of the financing team is the underwriters, and selection of the syndicate of underwriters from the City's pool of approved underwriters is being recommended for delegation to the Mayor, City Manager, Assistant City Manager, and Director of Financial Services in Parts B and C of this agenda item.

Because of the fluctuating conditions in the municipal bond market, our financial advisor has recommended that the City Council delegate to the Mayor, City Manager, and

Assistant City Manager (the “Delegated Officials”) the authority to effectuate the sale of the transactions when the market warrants. The City’s bond counsel has also confirmed that the City can delegate the sale of these bonds to the Delegated Officials in the manner outlined above pursuant to the authority contained in Chapter 1371, as amended, Texas Government Code. Parts B and C of this agenda item will authorize this delegation.

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

FINANCIAL IMPACT:

Part B – Tax Exempt Refunding

<input type="checkbox"/> Not Applicable	<input checked="" type="checkbox"/> Operating Expense	<input type="checkbox"/> Revenue	<input type="checkbox"/> CIP	
FISCAL YEAR:	Project to Date Exp. (CIP Only)	Current Year	Future Years	TOTALS
Budget - Debt Payments	-	-	\$43,550,522	\$ 43,550,522
Encumbered/Expended amount of (date)	-	-	-	-
This item	-		\$ 38,056,075	\$ 38,056,075
BALANCE	-	-	\$5,494,447	\$ 5,494,447
FUND(S): Debt Service Fund				

COMMENTS:

The \$5,494,447 noted above represents savings in debt payments by refunding the general improvement/obligation bonds for the remaining life of the bonds – through 2026. This represents a net present value savings of \$5,035,822.

Part C – Taxable Refunding

Not Applicable

Operating Expense

Revenue

CIP

FISCAL YEAR:	Project to Date Exp. (CIP Only)	Current Year	Future Years	TOTALS
Budget - Debt Payments	-	-	\$170,424,567	\$ 170,424,567
Encumbered/Expended amount of (date)	-	-	-	-
This item	-		\$ 164,416,288	\$ 164,416,288
BALANCE	-	-	\$6,008,279	\$ 6,008,279
FUND(S): Debt Service Fund				

COMMENTS:

The \$6,008,279 noted above represents savings in debt payments by refunding the into general improvement/obligation bonds into taxable bonds for the remaining life of the bonds – through 2038. This represents a net present value savings of \$4,366,770.

RECOMMENDATION:

Staff recommends approval of the motion and ordinances as presented.

LIST OF SUPPORTING DOCUMENTS:

Exhibit A
Ordinances