



AGENDA MEMORANDUM

Future Item for the City Council Meeting of November 11, 2014
Action Item for the City Council Meeting of November 18, 2014

DATE: November 11, 2014

TO: Ronald L. Olson, City Manager

FROM: Constance P. Sanchez, Director of Financial Services
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Appointment of Financial Advisor for
Texas Military Preparedness Commission Debt Transactions

CAPTION:

Motion authorizing the appointment of M. E. Allison, & Co., as Financial Advisor for the transaction to call for redemption prior to stated maturity “City of Corpus Christi, Texas General Improvement Bonds, Series 2007” and “City of Corpus Christi, Texas Combination Tax and Utility System Revenue Certificates of Obligation, Series 2007” and as Financial Advisor for the issuance of “City of Corpus Christi, Texas Tax Notes, Series 2014A” in an amount not to exceed \$5,090,000.

PURPOSE:

The City plans on calling for redemption prior to stated maturity two outstanding bond issuances: “City of Corpus Christi, Texas General Improvement Bonds, Series 2007” and “City of Corpus Christi, Texas Combination Tax and Utility System Revenue Certificates of Obligation, Series 2007”. Subsequently, the City plans on issuing up to \$5,090,000 of Tax Notes to fund projects associated with the Texas Military Preparedness Commission.

BACKGROUND AND FINDINGS:

Following the 2005 round of Base Realignment and Closure (BRAC), the City of Corpus Christi (City) received a \$10,507,390 loan from Texas Military Value Revolving Loan Fund through the Texas Military Preparedness Commission (TMPC) for two projects: (1) the expansion and reconstruction of Port Avenue from I-37 to US 181 and (2) the realignment of Flour Bluff Drive and extension of the Waldron Field runway. The Texas

Department of Transportation (TxDOT), through the Corpus Christi Metropolitan Planning Organization (CCMPO), provided a \$10,878,300 match for the Port Avenue project making the total for both projects \$21,385,690.

The City of Corpus Christi issued two series of debt in 2007: (1) a series of 2004 voter-approved general obligation bonds and (2) a series of non-voted certificates of obligations (together referred to as the 2007 Obligations). Both series were sold to the Texas Public Finance Authority (the TPFA), acting on behalf of the Texas Military Preparedness Commission, to provide the City with assistance for projects targeting infrastructure related to military facilities located in and around the City. In order to provide a source of funding for the purchase of the City's 2007 Obligations, the TPFA sold its own bonds (Source Bonds). The TPFA, in turn, uses the money that the City sends for its debt service payments on the 2007 Obligations to make its debt service payments on their Source Bonds. Neither the City's 2007 Obligations nor the Source Bonds are callable until 2016.

The 2007 Obligations were issued to finance the costs of specific street projects. However, the City has determined that all of the projects intended to be financed by the 2007 Obligations will not be completed. Therefore, in order to repurpose the remaining proceeds of the 2007 Bonds, the City would need to find another qualifying street project authorized at the 2004 bond election. However, no other project was identified and so now in order to repurpose the remaining proceeds, the City needs to seek consent from the TPFA (as the sole holder of 2007 COs) to amend the ordinance authorizing the issuance of the 2007 COs to allow for another purpose.

It was determined that the simplest solution would be to return the unspent proceeds to the TPFA. However, these bonds are not callable until 2016 and so this action cannot be done until then. So bond counsel has proposed a transaction whereby the City will issue new tax notes while the TPFA simultaneously (or shortly thereafter) agrees (i) to an early and immediate redemption of the original 2007 Obligations and (ii) to purchase, on behalf of the TMPC (as it originally did in 2007 in connection with the issuance of the 2007 Obligations), the new tax notes. The City will pay to the TPFA the redemption amount of the 2007 Obligations (which should closely resemble the amount of unspent proceeds of 2007 Obligations); and the TPFA will then immediately turn around and use those proceeds to purchase the City's new 2014 tax notes.

This process should be neutral to the TPFA since the TPFA will still have a source of payment of debt service of its Source Bonds which will now be the City's new debt. Likewise, the City should also be in relatively neutral position, as well.

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.

ALTERNATIVES: n/a

OTHER CONSIDERATIONS: n/a

CONFORMITY TO CITY POLICY:

This item conforms to City policy.

EMERGENCY / NON-EMERGENCY: n/a

DEPARTMENTAL CLEARANCES:

- Financial Services
- Bond Counsel
- Legal Department

FINANCIAL IMPACT:

X 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	-	-	-	-
BALANCE	-	-	-	-
FUND(S): CIP Funds				

COMMENTS: n/a

RECOMMENDATION:

Staff recommends approval of the motion as presented.

LIST OF SUPPORTING DOCUMENTS:

Exhibit A – Financial Advisor Fee Schedule