



AGENDA MEMORANDUM

Future Item for the City Council Meeting of June 23, 2015
Action Item for the City Council Meeting of July 14, 2015

DATE: June 5, 2015

TO: Ronald L. Olson, City Manager

THRU: Wes Pierson, Assistant City Manager

FROM: Constance P. Sanchez, Director of Financial Services
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<p>Refunding of Nueces River Authority (NRA) Water Supply Facilities Revenue Bonds</p>
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CAPTION:

Resolution authorizing the City Manager to take actions necessary to approve the issuance of refunding bonds designated as Nueces River Authority Water Supply Facilities Revenue Refunding Bonds, Series 2015; and other matters in connection therewith.

PURPOSE:

The refunding of these bonds by the Nueces River Authority (NRA) will realize debt service savings resulting in lowering the City's payment under contract.

BACKGROUND AND FINDINGS:

The City of Corpus Christi entered into a contract with the Nueces River Authority (NRA) in 1997 to issue 30-year Nueces River Authority Water Supply Facilities Revenue Bonds (City of Corpus Christi Lake Texana Project), Series 1997 in the amount of \$118,195,000 to fund the construction of Mary Rhodes Pipeline, Phase 1, from Lake Texana to the O.N. Stevens water treatment plant in Corpus Christi. The City of Corpus Christi is responsible for making the annual debt payments, and this expense is included in the Water Fund's budget.

In 2005, these bonds were “advanced refunded” for savings in the amount of \$94,575,000 keeping the same maturity in 2027. An advanced refunding means that the proceeds from the new bonds issued are placed in an escrow account and invested until they are used to pay off the original bonds.

The bonds issued in 2005 are callable on July 15, 2015. Since interest rates have fallen since that time, a “current refunding” opportunity is available at the bonds’ call date. A current refunding means that the proceeds from the new bonds issued are used to repay the old bonds within 90 days of the call date. This refunding is expected to realize debt service savings resulting in lowering the City’s payments under the contract. The aggregate estimate principal amount of the refunding bonds is \$61,330,000, and the aggregate new present value savings is estimated to be \$10.3 million or 14.72%. This savings is anticipated to lower the City’s obligation for these bonds in the Water Fund by close to \$1 million annually.

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 and Norton Rose Fulbright US LLP as the City’s bond counsel.

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’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:

Not Applicable Operating Expense X Revenue CIP

FISCAL YEAR:	Project to Date Exp. (CIP Only)	Current Year	Future Years	TOTALS
Budget (Debt payments)	-	-	\$ 95,109,004.00	\$ 95,109,004.00
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	-	\$ (82,904,411.00)	\$ (82,904,411.00)
BALANCE (Refunding Savings)	-	-	\$ 12,204,593.00	\$ 12,204,593.00
FUND(S): Water Fund				

COMMENTS:

The \$12,204,593 noted above represents savings in debt payments by refunding the NRA bonds for the remaining life of the bonds – through July 1, 2027. This represents a net present value savings over the remaining life of the bonds of \$10,339,601.

RECOMMENDATION:

Staff recommends approval of the motion and resolution as presented.

LIST OF SUPPORTING DOCUMENTS:

Resolution
Exhibit A – Financial Advisor Fee Schedule