



## **AGENDA MEMORANDUM**

Action Item for the City Council Meeting January 24, 2023

**DATE:** January 17, 2023

**TO:** Peter Zaroni, City Manager

**FROM:** Heather Hurlbert, CPA, CGFO Director of Finance and Procurement  
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### **Plan of Finance and Defeasance Resolution**

#### **CAPTION:**

Approval of a resolution by the City Council of the City of Corpus Christi, Texas providing for the defeasance and calling for redemption of certain currently outstanding obligations: directing that the City Secretary, or designee, effectuate the redemption of these obligations: and other matters in connection there with.

#### **SUMMARY:**

This item will present a Plan of Finance for the defeasance of outstanding certificates of obligation secured by Hotel Occupancy Tax Revenue used for the improvement of the Convention Center ("Convention Center Bonds") and the refunding of outstanding Type A Corporation debt secured by Type A sales tax revenue used for the improvement of the Arena. City Council will be asked to approve a resolution allowing for the defeasance of the Convention Center bonds using available fund balance in the Debt Service Fund.

#### **BACKGROUND AND FINDINGS:**

In July 2022 the City entered into a management contract with OVG360 for the professional management of the American Bank Center. Defeating the Convention Center bonds and refunding the Type A Sales Tax Bonds will further maximize the City's authority to contract with service providers at the Arena.

Staff worked with the City's financial advisor (FA) Estrada Hinojosa on a Plan of Finance for the outstanding bonds. The recommendation for the outstanding Type A Sales Tax Arena bonds is to refund the bonds as taxable. The series is scheduled to be paid in full September 2025 and currently has an outstanding principal balance of \$9,595,000. The bonds will retain the existing final maturity date of September 2025 but will be reissued as taxable bonds with an estimated interest rate of 4.5%. The refunding bonds will be sold through a private placement bid. Refunding the bonds as taxable at current interest rates will result in an estimated cost of \$133,000 over the life of the bonds.

The recommendation for the outstanding Convention Center bonds is to defease the bonds at their next payment date in March 2023. The series is scheduled to be paid in full March 2030 and currently has an outstanding principal balance of \$1,315,000. There is sufficient fund balance from Hotel Occupancy Tax revenue in the Debt Service Fund to pay the principal amount in full. Defeasing the bonds will result in an estimated savings of \$198,000 over the life of the bonds.

Required action today is the approval of the defeasance resolution for the Convention Center Bonds. The next action will be for the Type A Corporation to approve a refunding resolution for the Type A Sales Tax Arena bonds which will then come to City Council for approval on February 14, 2023. The Corporation will be asked to delegate the authority to City staff to execute the documents for the competitive private placement. Both the defeasance and the refunding transactions will be finalized in March 2023. A complete timeline is attached.

#### **ALTERNATIVES:**

City Council could choose not to approve the defeasance.

#### **FISCAL IMPACT:**

The fiscal impact will be the defeasance of the outstanding Convention Bonds with excess Debt Service fund balance for debt service savings.

#### **Funding Detail:**

Fund:

Organization/Activity:

Mission Element:

Project # **(CIP Only)**:

Account:

#### **RECOMMENDATION:**

Staff recommends approval of the defeasance resolution.

#### **LIST OF SUPPORTING DOCUMENTS:**

Defeasance and Refunding Timeline  
Resolution