



AGENDA MEMORANDUM

First Reading for the City Council Meeting of May 23, 2023
Second Reading for the City Council Meeting of June 13, 2023

DATE: May 10, 2023

TO: Peter Zaroni, City Manager

FROM: Heather Hurlbert, Director of Finance and Procurement
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Delegating the Authorization for the Issuance of Utility System Revenue
Improvement Bonds

CAPTION:

Ordinance by the City Council of the City of Corpus Christi, Texas authorizing the issuance of its utility system senior lien revenue improvement and/or refunding bonds in one or more series (as designated by purpose and series) for water, wastewater, and stormwater utility improvements in an amount not to exceed \$114,000,000 and refinancings in an amount not to exceed \$186,645,000, within set parameters and according to the plan of finance set by the City's financial advisors; making provisions for the payment and security thereof by a first and prior lien on and pledge of the net revenues of the City's utility system on a parity with certain currently outstanding utility system revenue obligations; delegating the authority to the City Manager, Chief Financial Officer, Director of Finance and Procurement to execute documents relating to the sale of each series of bonds; and providing an effective date.

SUMMARY:

The City intends to issue \$114,000,000 of Utility System Junior Lien Revenue Improvement Bonds to fund the Capital Improvement Program for utilities. The amount of bond issuance included in the ordinance includes estimated costs of issuance and accounts for any fluctuations in the bond market at the time of pricing. In addition, the City may issue up to \$186,645,000 for current refundings and tender transactions for savings. The ordinance delegates the authority to issue the bonds to the City Manager, Chief Financial Officer, or the Director of Finance and Procurement per the plan of finance set by the City's financial advisors and within the parameters set forth in the ordinance for net present value savings and true interest rate.

BACKGROUND AND FINDINGS:

Because of the fluctuating conditions in the municipal bond market and to ensure that all legal documents are executed on a timely basis, our financial advisor has recommended that the City Council delegate to the City Manager, Chief Financial Officer, and the Director of Finance and Procurement - including any person serving in any of the foregoing capacities on an interim or non-permanent basis (the "Authorized Officials") the authority to approve the sale of the bonds subject to the following parameters:

- 1) The principal amount in total of all bonds sold may not exceed \$300,645,000.
- 2) The true interest rate shall not exceed 5.25% per year.
- 3) Maximum maturity of July 15, 2053.
- 4) Minimum net savings on the refunding or tender transactions of \$205,000 or 2.5%.

The City's bond counsel has confirmed that the City can delegate the sale of the bonds to the Delegated Officials in the manner outlined above pursuant to the authority contained in Chapter 1371, as amended, Texas Government Code.

On January 25, 2022, the City Council approved a reimbursement resolution to award contracts for the utility projects Capital Improvement Plan (CIP) prior to the issuance of bonds. This agenda item will allow for the issuance of Utility System Revenue Bonds to reimburse the City funds used for these projects.

The City intends to issue bonds in an amount not to exceed \$114,000,000 to fund Water, Wastewater, Stormwater, and Gas projects included in the Capital Improvement plan. Debt for revenue bonds is issued if actual expenditures or encumbrances have been incurred. The breakdown for the new money issuance is as follows:

Water	\$40,000,000
Wastewater	\$45,000,000
Stormwater	\$25,000,000
Gas	\$4,000,000
TOTAL	\$114,000,000

In addition to the project funding, the City may issue bonds in an amount not to exceed \$186,645,000 for up to \$8,700,000 in current refundings and \$178,445,000 for the tendering of outstanding bonds. Both the current refundings and the tendering transactions will be for savings, and the City will only move forward with these transactions if the savings achieved exceed a minimum savings of \$205,000 or 2.5%.

Issuing bonds is a multi-step process. Staff met with rating agencies the week of May 29, 2023 with expected ratings issued the week of June 12, 2023. The sale of the bonds is expected mid-June depending on market conditions with the financing closing in August. The City Council will be updated with the final results of the issuance at completion.

ALTERNATIVES:

n/a

FISCAL IMPACT:

The fiscal impact of this ordinance is that it will generate \$114,000,000 in bond proceeds for use on utility system improvements approved in the CIP budget and possibly refund or tender bonds totaling \$186,645,000 for savings.

COMMENTS:

None.

RECOMMENDATION:

Staff recommends approval of the ordinance as presented.

LIST OF SUPPORTING DOCUMENTS:

Ordinance