



AGENDA MEMORANDUM

Future Item for the City Council Meeting of February 9, 2016
Action Item for the City Council Meeting of February 16, 2016

DATE: January 28, 2016

TO: Ronald L. Olson, City Manager

FROM: Constance P. Sanchez, Director of Financial Services
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Notice of Intention to Issue Certificates of Obligation
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CAPTION:

Resolution by the City Council of the City of Corpus Christi, Texas, authorizing and approving publication of Notice of Intention to issue Certificates of Obligation; complying with the requirements contained in Securities and Exchange Commission Rule 15c2-12; and providing an effective date.

PURPOSE:

The City plans on issuing one or more series of certificates of obligation in a combined amount not to exceed \$18,140,037 for the purpose of paying contractual obligations necessary to complete the street projects from Proposition 1 in Bond 2012.

BACKGROUND AND FINDINGS:

During the City Council meetings on January 27, 2015, February 17, 2015, and April 21 2015, City staff presented the City Council information related to the Bond 2012 street program. As a result of the April 21, 2015 update, the City Council unanimously approved Resolution 030482 which contained eight sections related to the Bond 2012 street program. The first item indicated, "To the extent that the funds authorized under the Bond 2012 Proposition 1 are insufficient to cover total project costs, the City will issue Certificates of Obligation (COs) to provide additional funding."

On January 19, 2016, an update was made to the City Council regarding the status of the Bond 2012 street program. The current estimates for the remaining street projects are short by over \$18,000,000 on the following projects:

South Alameda Street (Ayers Street to Louisiana Avenue)	-	\$ 3,058,000
South Staples Street (Brawner Parkway to Kostyoryz Road)	-	\$ 7,000,000
Leopard Street (Crosstown to Palm Drive)	-	\$ 4,168,000
Morgan Avenue (Staples Street to Crosstown Expressway)	-	\$ 2,884,000
Twigg Street (Shoreline Boulevard to Lower Broadway)	-	\$ 1,100,000
Savings from Tuloso Road (IH 37 to Leopard Street)	-	<u>(\$ 69,963)</u>
		\$18,140,037

To fund this shortfall, the City plans on issuing one or more series of Certificates of Obligation in a combined amount not to exceed \$18,140,037. This does not obligate the City into issuing all or any of the \$18,140,037 in obligations, but we will have the latitude to do so in the event that some of the estimates are less than the actual cost of construction. City staff is required, however, to obtain City Council approval prior to each issuance of the Certificates of Obligation, and so the City Council will be aware of all amounts being sold.

The Certificates of Obligation Act provides that Certificates of Obligation can be sold for cash only in certain circumstances, such as to address a public emergency or if the Certificates of Obligation are benefitted by a revenue pledge. As a result, municipalities who do not fall under these emergency categories are required to pledge as additional security for their Certificates of Obligation, some source of revenue stream that is authorized to be pledged under Texas law. This pledge oftentimes takes the form of a limited amount (\$1,000) that the Texas Attorney General accepts as satisfying this revenue pledge requirement. The alternative (since the contemplated public improvements are not emergencies) to not pledging a revenue source and selling the Certificates of Obligation for cash would be to exchange the Certificates of Obligation directly with the provider of the goods or services – which would be prohibitively cumbersome for the City. Because of this requirement in the Certificates of Obligation Act and under advisement of the City's bond counsel and the City's financial advisor, the City is proposing to pledge \$1,000 (one time) of Solid Waste System revenue to these certificates of obligation. By doing so, the legal requirements of the Certificates of Obligation Act will be satisfied - with a nominal effect to the Solid Waste System. This Solid Waste System revenue pledge will be disclosed in the City's notice of intention to issue these Certificates of Obligation.

State law requires that a notice of intention be published when Certificates of Obligation are to be sold. The notice must be published once a week for two consecutive weeks in a newspaper, with the date of the first publication to be before the 30th day before the date tentatively set for the passage of the ordinance authorizing the issuance of the certificates. The ordinance authorizing the issuance of the first series of certificates is tentatively scheduled as a first reading on March 29, 2016 with a second and final reading on April 12, 2016. The City anticipates publishing this notice in the Corpus Christi Caller-Times on Sunday, February 28, 2016 and Sunday, March 6, 2016.

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
- Engineering Services
- Bond Counsel
- City Attorney's Office

FINANCIAL IMPACT:

☐ Not Applicable ☐ Operating Expense ☒ Revenue ☐ CIP

FISCAL YEAR:	Project to Date Exp. (CIP Only)	Current Year	Future Years	TOTALS
Budget	-	\$ 18,140,037	-	\$ 18,140,037
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	\$ 18,140,037	-	\$ 18,140,037
BALANCE	-	-	-	-
FUND(S): CIP Fund				

COMMENTS: n/a

RECOMMENDATION:

Staff recommends approval of the resolution as presented.

LIST OF SUPPORTING DOCUMENTS:

Resolution