



## **AGENDA MEMORANDUM**

First Reading at the City Council Meeting of March 29, 2016  
Second Reading at the City Council Meeting of April 12, 2016

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**DATE:** March 11, 2016

**TO:** Ronald L. Olson, City Manager

**FROM:** Constance P. Sanchez, Director of Financial Services  
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Authorization for Issuance of Certificates of Obligation to Fund Bond 2012 Projects
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### **CAPTION:**

Ordinance authorizing the issuance of "City of Corpus Christi, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Taxable Series 2016A" in an amount not to exceed \$18,140,037 for the purpose of financing costs associated with making permanent public improvements within the City; providing for the payment of said Certificates by the levy of an ad valorem tax upon all taxable property within the City and further securing said Certificates by a lien on and pledge of the pledged revenues of the Solid Waste System; providing the terms and conditions of said Certificates and resolving other matters incident and relating to the issuance, payment, security, sale, and delivery of said Certificates, including the approval and distribution of an Official Statement pertaining thereto; authorizing the execution of a paying agent/registrar agreement and a purchase contract; complying with the requirements of the letter of representations on file with the depository trust company; delegating the authority to certain members of the City staff to execute certain documents relating to the sale of the Certificates; enacting other provisions incident and related to the subject and purpose of this ordinance; 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)	-	<u>\$ 1,100,000</u>
Savings from Tuloso Road (IH 37 to Leopard Street)	-	<u>(\$ 69,963)</u>
		<u>\$18,140,037</u>

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.

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.

According to the Local Government Code, Section 271.049, prior to the issuance of the certificates of obligation, the City is required to publish notice of its intention to issue the certificates once a week for two consecutive weeks in a newspaper of general circulation, with the date of the first publication to be before the 30<sup>th</sup> day before the date set for passage of the ordinance to authorize the issuance of the certificates. The notices were in the *Corpus Christi Caller-Times* on February 28, 2016 and March 6, 2016. Thirty days after the date of the first publication is March 29, 2016, and so City Council action to approve this ordinance in its second reading is scheduled for April 12, 2016 and is in compliance with the Local Government Code.

**ALTERNATIVES:** n/a

**OTHER CONSIDERATIONS:** n/a

**CONFORMITY TO CITY POLICY:**

This item conforms to City policy.

**EMERGENCY / NON-EMERGENCY:** n/a

**DEPARTMENTAL CLEARANCES:**

- Engineering
- Financial Services Department
- 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 ordinance as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Ordinance