



AGENDA MEMORANDUM

Future Item for the City Council Meeting of January 10, 2017
Action Item for the City Council Meeting of January 17, 2017

DATE: December 29, 2016

TO: Margie C. Rose, City Manager

FROM: Constance P. Sanchez, Director of Financial Services
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| Ordinance Aligning Funds after Debt Refunding |
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CAPTION:

Ordinance authorizing the appropriation and transfer of approximately \$2,781,207.34 of bond proceeds from various City Utility System CIP funds to Fund 3543 Streets TMPC CO CIP Fund; and the appropriation and transfer of approximately \$2,781,207.34 of related debt liability from various City Utility System operating funds to Fund 2010 General Obligation Debt Service Fund; amending the Fiscal Year 2017 operating budget adopted by Ordinance No. 030965 to increase revenues and expenditures by approximately \$2,781,207.34 each; and providing an effective date.

PURPOSE:

The purpose of this action is for accounting purposes to align funds resulting from a recent general improvement bond refunding. This ordinance will transfer and properly align Texas Military Preparedness Commission (TMPC) bond proceeds and related debt currently allocated in the City's Utility System funds to the General Obligation Debt Service Fund and to the Streets Capital Improvement Program (CIP) funds.

BACKGROUND AND FINDINGS:

Following the 2005 round of Base Realignment and Closure (BRAC), the City of Corpus Christi (City) received a \$10,507,390 loan from Texas Military Value Revolving Loan Fund through the TMPC for two projects: (1) the expansion and reconstruction of Port Avenue from I-37 to US 181 and (2) the realignment of Flour Bluff Drive and extension of the Waldron Field runway. The Texas Department of Transportation (TxDOT),

through the Corpus Christi Metropolitan Planning Organization (CCMPO), provided a \$10,878,300 match for the Port Avenue project making the total for both projects \$21,385,690.

The City issued two series of debt in 2007: (1) a series of 2004 voter-approved general obligation bonds and (2) a series of non-voted certificates of obligation (COs) to repay the TMPC loan. Together the two bond debts are referred to as the 2007 Obligations. The proceeds of the 2007 Obligations were split between Utility and Street CIP funds in accordance with the estimated budgets for the proposed projects. The unspent proceeds portion of the 2007 Obligations were refunded on March 31, 2015, by the 2015 Tax Notes. The outstanding balance of the 2007 Obligations and the 2015 Tax Notes were fully refunded on December 16, 2016, by the 2016A General Improvement Refunding Bonds.

The reason for the refundings was that the Port Avenue project was completed, but there was approximately \$2.4 million in unspent funds remaining from that project. The Waldron Field/Flour Bluff Drive project was never started due to opposition to the project, so approximately \$2.4 million remained in unspent funds from that project. The original debt instruments, ordinances and loan contract prevented the remaining loan balance from being used for purposes other than the original projects. In order to repurpose the remaining proceeds, the City needed the consent of the TMPC (as the sole holder of 2007 COs) to amend the ordinance authorizing the issuance of the 2007 COs to allow for another purpose and needed permission from the TMPC to use the remaining proceeds for additional military value projects. In 2015 the TMPC agreed and the Texas Public Financing Authority (TPFA) consented to the City's request.

The identified potential military value projects as presented to Council on February 24, 2015, included Sam Rankin Road improvements, land acquisitions of "Clear Zones", Accident Prevention Zones and Encroachments, Naval Air Station Corpus Christi (NASCC) South Gate Truck Lane, NASCC fence line replacement, and Corpus Christi International Airport taxiway expansion and safety enhancements. These projects do not require utility work, and so the unspent bond proceeds in the Utility CIP funds and the debt related thereto need to be transferred to a Street CIP fund and the General Obligation Debt Service fund for accounting purposes to properly account for the bond proceeds and to pay the debt out of the correct fund.

ALTERNATIVES:

An alternative would be to take no action and leave the bond proceeds and related debt in the Utility System funds. The City would then need to find qualifying utility projects, and as a result, the projects previously approved by City Council in 2015 (when approving issuance of the 2015 Tax Notes) would not be funded.

OTHER CONSIDERATIONS:

n/a

CONFORMITY TO CITY POLICY:

This item conforms to City policy.

EMERGENCY / NON-EMERGENCY:

Non-emergency

DEPARTMENTAL CLEARANCES:

- Financial 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 | - | - | - | - |
| Encumbered/Expended amount of (date) | - | - | - | - |
| This item | - | - | - | - |
| BALANCE | - | - | - | - |
| FUND(S): CIP Funds | | | | |

COMMENTS: The net financial impact to the City is zero, as the ordinance transfers cash and debt obligations between existing City funds.

RECOMMENDATION:

Staff recommends approval of the ordinance as presented.

LIST OF SUPPORTING DOCUMENTS:

Ordinance