



AGENDA MEMORANDUM

Future Item for the City Council Meeting of May 23, 2017
Action Item for the City Council Meeting of May 30, 2017

DATE: May 17, 2017

TO: Margie C. Rose, City Manager

THRU: Sylvia Carrillo-Treviño, Assistant City Manager

FROM: Constance P. Sanchez, Director of Financial Services
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Application for Financial Assistance from the Texas Water Development Board

CAPTION:

Resolution requesting financial assistance from the Texas Water Development Board for the refunding of City obligations incurred by the City under Federal Contract No. 6-07-01-X0675 by and among the City, the United States of America, and the Nueces River Authority; authorizing City staff and consultants to coordinate the submission of the application to the Texas Water Development Board for funding from its Water Development Fund; and other matters in connection therewith.

PURPOSE:

The City of Corpus Christi is interested in refunding Utility System revenue obligations related to Choke Canyon Dam with City-issued refunding bonds to be purchased by the Texas Water Development Board through its Water Development Fund. The Water Development Fund (DFund) is a state-funded loan program that provides financing for various types of infrastructure projects. It does not receive federal subsidies and is not subject to federal crosscutters. The DFund enables the Texas Water Development Board to fund multiple eligible components in one loan to its borrowers. The interest rate on a DFund loan varies depending on market conditions. The lending rate scales are set at approximately the TWDB's borrowing cost and are intended to provide reasonable rates for TWDB customers while covering the TWDB's cost of funds and risk exposure.

The City is seeking authorization to submit an application to the Texas Water Development Board for financial assistance (in the form of the Texas Water Development Board's commitment to purchase the City's refunding bonds) in an amount not to exceed \$50,000,000. This amount includes the Texas Water Development Board's bond origination fees and other costs of issuance, as well as the amount necessary to repay the Refunded Bonds.

BACKGROUND AND FINDINGS:

On March 28, 2017, the City Council authorized the issuance of "City of Corpus Christi, Texas Utility System Junior Lien Revenue Refunding Bonds" in an amount not to exceed \$77,520,000. These Utility System revenue obligations related to Choke Canyon Dam, as well as any callable, outstanding Utility System Revenue Bonds in an amount not to exceed \$77,520,000. This agenda item addresses refunding the Choke Canyon Dam portion of that authorization.

The interest rate charged by the TWDB is based on the TWDB's cost of funds sold with the State of Texas' General Obligation AAA rating. The lending rate scales reasonable rates for TWDB customers that cover TWDB's cost of funds and risk exposure. Utilization of the Texas Water Development Board funding option is being recommended especially since we are in an environment where interest rates are expected to rise, and the interest rate that will be charged for these obligations is based on a AAA rating – which is a higher rating than the City's AA-/Aa3 rating for its utility priority lien bonds and A+/A1 for the City's junior lien utility bonds – resulting in a lower interest rate. Additionally, the TWDB has agreed to issue these bonds at a third lien – which will remain subordinate to the junior lien bonds - as the bonds currently are - and so issuance of these bonds will not "eat" into our debt capacity for the utility junior lien bonds. Additionally, savings will be realized since no bond ratings will be required and no underwriters' discount will be paid since the bonds will be purchased by the TWDB.

This agenda item is requesting approval to submit an application with the Texas Water Development Board seeking financial assistance in the form of its purchase of the City's refunding bonds.

ALTERNATIVES:

n/a

OTHER CONSIDERATIONS:

n/a

CONFORMITY TO CITY POLICY:

This item conforms to City policy.

EMERGENCY / NON-EMERGENCY:

n/a

DEPARTMENTAL CLEARANCES:

- Bond Counsel
- City Attorney's Office
- Financial Services
- Utilities Department

FINANCIAL IMPACT:

X 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):				

COMMENTS:

n/a

RECOMMENDATION:

Staff recommends approval of the resolution as presented.

LIST OF SUPPORTING DOCUMENTS:

Resolution