



## **AGENDA MEMORANDUM**

First Reading for the City Council Meeting of August 20, 2019  
Second Reading for the City Council Meeting of August 27, 2019

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**DATE:** August 2, 2019

**TO:** Peter Zaroni, City Manager

**THRU:** Constance P. Sanchez, Interim Assistant City Manager

**FROM:** Alma Casas, Interim Director of Financial Services  
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<p>Authorization for the Issuance of Utility System Revenue Improvement and Refunding Bonds</p>
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### **CAPTION:**

Ordinance authorizing the issuance of "City of Corpus Christi, Texas Utility System Junior Lien Revenue Improvement and Refunding Bonds, Series 2019" for Water and Wastewater Utility improvements in an amount not to exceed \$113,000,000 and authorizing other matters incident and related thereto.

### **PURPOSE:**

The City plans on issuing \$50,000,000 of Utility System Junior Lien Revenue Improvement Bonds and refunding \$58,680,000 of Build America Bonds issued on July 1, 2010 for savings. The amount of bond issuance included in the ordinance of \$113,000,000 includes estimated costs of issuance and accounts for any fluctuations in the bond market at the time of pricing. The actual bond sale cannot exceed this amount but will more than likely be substantially less.

### **BACKGROUND AND FINDINGS:**

On September 11, 2018, the City Council approved a \$50,000,000 reimbursement resolution to award contracts for water and wastewater projects included in the Fiscal Year 2019 Capital Improvement Plan (CIP) prior to the issuance of bonds. This agenda item will replenish the City funds used for these projects with the issuance of Utility System Revenue Bonds.

In July 2010, the City issued \$60,625,000 of Utility System Revenue Improvement Bonds, Taxable Series 2010 (Direct Subsidy – Build America Bonds). Authorized under the American Recovery and Reinvestment Act of 2009, this Act enabled municipalities to issue taxable debt and receive a federal subsidy equal to 35% of their interest expense for Build America Bonds issued prior to January 1, 2011. The initial program was structured in a way for the City to file a request with the federal government/ Internal Revenue Service for its 35% subsidy

approximately 45 days before each debt payment is made. However, since the issuance of the bonds, government sequestration has resulted in a reduction of 8.7% of the government subsidy from 35% to 32.8%. These bonds are callable on July 15, 2020, and under the current tax laws, the City is able to advance refund them prior to the call date because they are taxable bonds. We will be refunding \$58,680,000 into tax exempt Utility System Revenue Improvement Bonds for an estimated net present value savings of 5.2% or \$3,017,442. This is projected to be an annual savings for the City's Utility System of approximately \$150,000 per year.

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, Assistant City Managers, and the Director of Financial Services - including any person serving in any of the foregoing capacities on an interim or non-permanent basis (the "Delegated Officials") the authority to effect the sale of the bonds subject to the following parameters: (1) the principal amount in total of all bonds sold may not exceed \$113,000,000; (2) the refunding will result in a net present value savings of at least 3.00%; and (3) the true interest rate shall not exceed 6% per year. 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.

**ALTERNATIVES:**

n/a

**OTHER CONSIDERATIONS:**

n/a

**CONFORMITY TO CITY POLICY:**

This item conforms to City policy.

**EMERGENCY / NON-EMERGENCY:**

Non-emergency

**DEPARTMENTAL CLEARANCES:**

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

**FINANCIAL IMPACT:**

☐ Not Applicable    ☐ Operating Expense    ☒ Revenue    ☐ CIP

	Project to Date Exp. (CIP Only)	Current Year	Future Years	TOTALS
Budget	-	-	-	-
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	\$ 113,000,000	-	\$ 113,000,000
BALANCE	-	\$ 113,000,000	-	\$ 113,000,000
FUND(S): CIP Fund (number to be determined after bond sale)				

**COMMENTS:**

None.

**RECOMMENDATION:**

Staff recommends approval of the ordinance as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Ordinance