



## **AGENDA MEMORANDUM**

First Reading for the City Council Meeting of May 12, 2020  
Second Reading for the City Council Meeting of May 19, 2020

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**DATE:** April 30, 2020

**TO:** Peter Zanoni, City Manager

**FROM:** Heather Hurlbert, Director of Finance and Business Analysis  
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<p>Delegating the Authorization for the Issuance of Utility System Revenue Improvement and Refunding Bonds</p>
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### **CAPTION:**

Ordinance authorizing the delegation of the issuance of City of Corpus Christi, Texas Utility System Junior Lien Revenue Improvement and Refunding Bonds, Series 2020 for Water and Wastewater Utility improvements in an amount not to exceed \$110,000,000 and refunding various series in an amount not to exceed \$240,000,000, within set parameters and according to the plan of finance set by the City's financial advisors to the City Manager, Chief Financial Officer, or Finance Director and authorizing other matters incident and related thereto.

### **SUMMARY:**

The City intends to issue \$110,000,000 of Utility System Junior Lien Revenue Improvement Bonds to fund the Fiscal Year 2020 Capital Improvement Program for utilities and a not to exceed amount of \$240,000,000 in Refunding Bonds for savings. The amount of bond issuance included in the ordinance of \$240,000,000 includes estimated costs of issuance and accounts for any fluctuations in the bond market at the time of pricing. The ordinance delegates the authority to issue the bonds to the City Manager, Chief Financial Officer, or the Director of Finance and Business Analysis per the plan of finance set by the City's financial advisors and within the parameters set forth in the ordinance for net present value savings and true interest rate. The actual bond sale cannot exceed this amount but will more than likely be less than this not to exceed amount.

### **BACKGROUND AND FINDINGS:**

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, Chief Financial Officer, and the Director of Finance and Business Analysis - including any person serving in any of the foregoing capacities on an interim or non-permanent basis (the "Delegated Officials") the authority to approve the sale of the bonds subject to the following parameters: (1) the principal amount in total of all bonds sold

may not exceed \$350,000,000; (2) the refunding will result in a net present value savings of at least 3%; and (3) the true interest rate shall not exceed 5% 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.

On December 10, 2019, the City Council approved a \$110,000,000 reimbursement resolution to award contracts for water and wastewater projects included in the Fiscal Year 2020 Capital Improvement Plan (CIP) prior to the issuance of bonds. This agenda item will allow for the issuance of Utility System Revenue Bonds to reimburse the City funds used for these projects.

The City's Financial Advisor, Estrada Hinojosa, has identified several bond series that are eligible for refunding at this time. Due to the current instability in the market, a decision has not been made as to which of the identified series will be refunded or if the refunded bonds will be taxable or tax-exempt, but the amount including issuance costs will not exceed \$240,000,000. To move forward with refunding a series the refunding must result in a net present value savings of at least 3%. If all identified series are refunded, assuming market conditions earlier in the year, the projected annual savings for the City's Utility Systems could be up to approximately \$23,000,000 over the remaining life of the bonds. The average remaining life of the identified series is 13.7 years with an estimated net present value savings of 8.3%.

This is the first step in the process of issuing bonds. The next step is meeting with the rating agencies in late May followed by issuing of the preliminary official statement in early June, and then the sale of the new money bonds in mid-June. City Council will be updated with the final results of the issuance at completion. A complete timeline is shown below:

Date	Event
May 19, 2020	<b>Adopt delegation ordinance</b>
Week of May 25 <sup>th</sup>	<b>Calls with rating agencies</b>
Week of June 1 <sup>st</sup>	<b>Due diligence calls</b>
June 10, 2020	<b>Posting of Preliminary Official Statement</b>
June 17, 2020	<b>Pricing and sale of bonds</b>
July 15, 2020	<b>Close on financing</b>

#### **ALTERNATIVES:**

n/a

#### **FISCAL IMPACT:**

The fiscal impact of this ordinance is that it will generate \$110,000,000 in bond proceeds for use in completing water and wastewater CIP projects and the bond refundings could generate up to \$23,000,000, or a 8.3% net present value savings, in savings to the City's Utility System over the remaining life of the bonds.

#### **COMMENTS:**

None.

**RECOMMENDATION:**

Staff recommends approval of the ordinance as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Ordinance