



AGENDA MEMORANDUM

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

DATE: April 30, 2020

TO: Peter Zaroni, City Manager

FROM: Heather Hurlbert, Director of Finance and Business Analysis
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Delegating the Authorization for the Issuance of General Improvement and Refunding Bonds – Tax Exempt
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CAPTION:

Ordinance authorizing the delegation of the issuance of City of Corpus Christi, Texas General Improvement and Refunding Bonds, Series 2020 related to Streets and City Facilities improvements in an amount not to exceed \$96,000,000 and refunding various series in an amount not to exceed \$94,100,000, 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 plans on issuing \$96,000,000 of General Improvement bonds approved by the voters in the 2018 Bond election and a not to exceed amount of \$94,100,000 in Refunding Bonds for savings. The amount of bond issuance included in the ordinance 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.

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 Financial Business Analysis - including any person serving in any of the foregoing capacities on an interim or non-permanent basis (the "Authorized 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 \$190,100,000; (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.

In November 2018, voters approved 6 propositions totaling \$96,000,000 for improvements to Streets, Park and Recreational facilities, Library and Cultural facilities, Public Safety facilities, and Public Health facilities. The sale of these General Improvement Bonds will provide funding for the projects approved in these 6 approved propositions.

On January 22, 2019, the City Council approved a \$96,000,000 reimbursement resolution to begin awarding contracts for the Bond 2018 projects prior to the issuance of bonds. This agenda item will allow for the issuance of General Improvement Bonds to reimburse the City funds used for these projects.

The City's Financial Advisor, Estrada Hinojosa, has identified several bonds 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 \$94,100,000. 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 General Fund could be up to approximately \$7,700,000 over the remaining life of the bonds. The average remaining life of the identified series is 8.9 years with an estimated net present value savings of 8.67%.

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

ALTERNATIVES:

n/a

FISCAL IMPACT:

The fiscal impact of this ordinance is that it will generate \$96,000,000 in bond proceeds for use on the streets and facility projects approved by voters during then 2018 Bond Election. Through this election, the voters approved a 2 cent increase in the tax rate that will be implemented in Fiscal Year 2021. The refundings could generate up to \$7,700,000, or a 8.67% net present

value savings, savings over the remaining life of the bonds.

COMMENTS:

None.

RECOMMENDATION:

Staff recommends approval of the ordinance as presented.

LIST OF SUPPORTING DOCUMENTS:

Ordinance