

JOINT SPECIAL MEETING OF THE HARLINGEN CITY COMMISSION
& DEVELOPMENT CORPORATION OF HARLINGEN, INC.
OCTOBER 2ND, 2019

A Joint Special Meeting of the Harlingen City Commission and Development Corporation of Harlingen, Inc., held October 2nd, 2019 at 4:30 p.m., City Hall, Town Hall Meeting Room, 118 E. Tyler Street, Harlingen, Texas. Those in attendance were:

Mayor and Commissioners

Mayor Chris Boswell
Michael Mezmar, Mayor Pro-Tem District 3
Richard Uribe, Commissioner District 1
Frank Puente, Commissioner District 2
Ruben de la Rosa, Commissioner District 4
Victor Leal, Commissioner District 5

Development Corporation of Harlingen, Inc.

Eric Ziehe, Vice President
Dr. Linda Burke, Treasurer
Ricky Leal, Member
Michael Lamon, Member

City Staff Present

Dan Serna, City Manager
Amanda C. Elizondo, City Secretary
Allison Bastian, Asst. City Attorney

EDC Staff

Raudel Garza, CEO and Manager of the
Development Corporation of Harlingen

ABSENT

Mickey Boland, President

Call meeting to order (Harlingen City Commission)

Mayor Chris Boswell called the meeting to order and stated the agenda was duly posted according to State law.

Call meeting to order (Development Corporation of Harlingen, Inc.)

Eric Ziehe, Vice President called the meeting to order and stated the agenda was duly posted according to state law.

Citizen Communication / Input

None

Mayor Boswell changed the order of the change and proceeded with the following item.

3. (Harlingen City Commission) Consideration and possible action to approve an ordinance on first and final reading by the City Commission of the City of Harlingen, Texas authorizing the issuance, sale and delivery of City of Harlingen, Texas General Obligation Refunding Bonds, Series 2019; approving and authorizing a purchase contract, an Escrow Agreement, and a Paying Agent/Registrar Agreement; approving and authorizing all other instruments and procedures related thereto; delegating authority to the Mayor and/or the City Manager to select outstanding bonds to be refunded and approve all final terms of the bonds; and ordaining other matters relating to the subject.

Anne Burger Entrekina, Financial Advisor, with Hilltop Securities Company, highlighted the Bond's Buyer's Index of 20 Municipal Bonds and stated the current rate was 2.66% and since 1999 the market rate has been the lowest. A couple of weeks ago, the market rate has been at its lowest since the 60's. Future interest rates are dependent on many factors, such as interest rate trends, tax rates, supply and demand of short term securities, changes in the law, rules and regulations, and changes in credit rating quality and rating agency considerations. She highlighted the following information.

Summary of Currently Callable CO's
Combination Tax and Revenue Certificates of
Obligation, Series 2010

Original Principal Amount	\$3,090,000
Callable Principal	\$1,865,000
Callable Maturities	2021-2030
Coupons	3.50-4.125%
Call Date	2/15/2020

Proposed General Obligation Refunding Bonds, Series 2019 with Upfront Savings
Proposed and Projected General Obligation Refunding Bonds, Series 2019

Refunding Par Amount	\$1,775,000
Gross Savings	\$ 117,423
Average Annual Savings (2021-2024)	\$ 28,286
Net Present Value Savings	\$ 112,354
Present Value Benefit (%)	6.024%
True Interest Cost	2.432%

Discussion was held regarding the Projected Savings Structure; Parameter Bond Sale – Flexibility and Ms. Entrekin recommended that four (4) parameters be established for consideration by the City Commission. She requested guidance to establish the (4) four parameters to delegate authority to the Mayor and City Manager on the City's bonds. They would not proceed without the guidance of the Development Corporation of Harlingen, Inc. and would monitor the market rate on a daily basis to secure the best interest rate for the City. She highlighted the following information.

Suggested Parameters for the City Commission's Consideration

Minimum Savings Threshold for Refunding
Maximum Interest Rate
Maximum Principal Amount of Issue
Maximum Maturity Date
Expiration of Delegated Authority
Delegation Authority – The Mayor and the City Manager

The suggested tax-exempt series parameters for City Commission's consideration

Minimum Savings Threshold for Refunding – 3.00%
Maximum Interest Rate – 3.50%
Maximum Principal Amount of Issue - \$1,865,000
Maximum Maturity Date – February 15, 2030
Expiration of Delegated Authority – 180 Days
Delegation Authority – The Mayor and the City Manager

The Proposed timetable of events includes this meeting distributing the first draft of the official statement which is the disclosure documents, used by investors to make their decision on the bonds. They would go through the process with Standard and Poor's and Fitch Rating Agencies to review the City's rating; hold conference calls with them; discuss the City's economy, government management and finances regarding its debt; November 8th was the expected date to receive a rating with a target pricing date of November 21, 2019 and hopefully close on Tuesday, December 17, 2019. This process is subject to meeting all the parameters. If the City is interested in moving forward with the refunding of the bonds, this would allow for the City to move forward.

Mayor Pro-Tem Mezmar asked if Hilltop Security is going to wrap up the bonds and sell them as one or individually.

Mrs. Entrekin replied they are offering this as an all or none-basis; the City would select the underwriters; and the underwriters would offer those to the potential investors on a maturity basis. The City could have up to five (5) different maturity or twenty different investors. They would ask the underwriter to do it on an all or none-basis to lock in the savings and meet the parameters defined by the City Commission.

Discussion was held regarding the City's current general obligation outstanding debt and Mayor Pro-Tem Mezmar stated some of these bonds are shorter bonds and the proposed date was 2030, a 10 year bond. There are savings all the way through, but to extend the maturity of the ones for 2021, 2022, and 2023 from 1, 2, 3 years to 10 years and asked if this was correct.

Mrs. Entrekin replied there would be a little bit of deferral in the years which would generate savings, but the average life would be shorter on the new bonds. They look at the average coupon, lowest coupon is 3.5% until 2021 and then it goes all the way up to 4.125%. We are looking at a projected true interest cost on the new bond of a 2.432% which would be lower on the projected interest rate of every year of the bonds. They believed the City would get a lot of those savings.

Commissioner Leal asked if \$117,423 is a hypothetical number which includes their fees of 25% and everything else.

Mrs. Entrekin responded yes.

Motion was made by Commissioner Uribe and seconded by Commissioner Leal to approve an ordinance on first and final reading of the City of Harlingen, Texas authorizing the issuance, sale, and delivery of the City of Harlingen, Texas General Obligation Refunding Bonds, Series 2019; approving and authorizing a purchase contract, an Escrow Agreement, and a Paying Agent/Registrar Agreement; approving and authorizing all other instruments and procedures related thereto; delegating authority to the Mayor and/or the City Manager to select outstanding bonds to be refunded and approve all final terms of the bonds; and ordaining other matters relating to the subject. Motion carried unanimously.

Eric Ziehe, Vice President, of the Development Corporation of Harlingen, Inc. proceeded with the following item.

1. (Development Corporation of Harlingen, Inc.) Consideration and possible action to approve and adopt a resolution of the Harlingen Economic Development Corporation authorizing the issuance of Sales Revenue Refunding Bonds, Series 2019A and Harlingen Economic Development Corporation Sales Tax and Lease Rental Revenue Refunding Bonds, Taxable Series 2019B, approving all documents related thereto, delegating authority to certain designated officials of the Corporation to select outstanding bonds to be refunded and approve all final terms of the Bonds.

Anne Burger Entrekin stated the market update is the same as discussed with the City of Harlingen. She highlighted the following information.

Summary of Callable Bonds, Series 2010A

Original Principal Amount	\$19,150,000
Callable Principal	\$13,355,000
Callable Maturities	2021-2032
Coupons	4.125-5.125%
Call Date	2/15/2020

The Sales Tax and Lease Rental Bonds Taxable, Series 2010B

Original Principal Amount	\$13,075,000
Callable Principal	\$ 9,740,000
Callable Maturities	2021-2032
Coupons	7.00-7.60%
Call Date	2/15/2020

Mrs. Entrekin stated the reason for the high savings is because of their work with Chase Partner, Stefano, Taverna which helped them with all the legal documents and to understand the taxable portion relating to the lease payments. Based on the projected lease payments, they were able to target a taxable payment of \$391,000. A significant portion of these taxable bonds will be done on a tax exempt basis. The numbers were updated including the insurance part. The information was sent to two (2) providers, but they have not committed to offer the insurance. Based on the information at hand, they believed that the savings would likely be \$5.5 million over time with about \$425,000 every year. She highlighted the following information for the EDC Board and City Commission's consideration.

PROJECTED SUMMARY STATISTICS

Par Amount of Tax-Exempt Bonds	\$17,220,000
Par Amount of Taxable Bonds	\$ 4,025,000
True Interest Cost	2.53%
Gross Savings	\$ 5,574,040
Net Present Value Savings	\$ 4,705,700
NPV Savings as a percent of Refunded Bonds	20.38%
Additional NPV Savings Required for Reserved Fund	-

PARAMETER BOND SALE RECOMMENDED PARAMETERS FOR CONSIDERATION

Minimum Savings Threshold for Refunding	3.00%
Maximum Interest Rate	4.00%
Maximum Principal Amount of Issue	\$23,095,000
Maximum Maturity Date	February 15, 2032
Expiration of Delegated Authority	180 Days
Delegation Authority	the Mayor and the City Manager

Mrs. Entrekin stated the expected date to receive the ratings is October 9th, the date for the pricing is October 22, 2019 and closing date is November 19, 2019.

Motion was made by Mr. Lamson and seconded by Mr. Leal to approve and adopt the resolution of the Harlingen Economic Development Corporation authorizing the issuance of Sales Revenue Refunding Bonds, Series 2019A and Harlingen Economic Development Corporation Sales Tax and Lease Rental Revenue Refunding Bonds, Taxable Series 2019B, approving all documents related thereto, delegating authority to certain designated officials of the Corporation to select outstanding bonds to be refunded and approve all final terms of the Bonds. Motion carried unanimously.

2. (Harlingen City Commission) Consideration and possible action to approve and adopt a Resolution of the City of Harlingen approving a Resolution of the Harlingen Economic Development Corporation with respect to the issuance of Sales Tax Revenue Refunding Bonds, Series 2019A and Sales Tax and Lease Rental Revenue Refunding Bonds, Taxable Series 2019B to refinance certain outstanding obligations of the Corporation.

Motion was made by Commissioner Leal and seconded by Commissioner De La Rosa to approve and adopt the resolution of the City of Harlingen approving a resolution of the Harlingen Economic Development Corporation with respect to the issuance of Sales Tax Revenue Refunding Bonds, Series 2019A and Sales Tax and Lease Rental Revenue Refunding Bonds, Taxable Series 2019B to refinance certain outstanding obligations of the Corporation. Motion carried unanimously.


Adjourn (Harlingen City Commission)

There being no further business to discuss, Mayor Boswell adjourned the meeting.

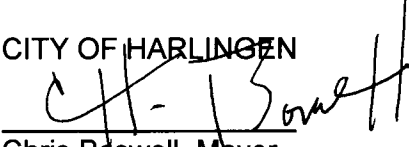
Adjourn (Development Corporation of Harlingen, Inc.)

There being no further business to discuss, President Boland adjourned the meeting.

ATTEST:


Amanda C. Elizondo
City Secretary

CITY OF HARLINGEN


Chris Boswell, Mayor

ATTEST:

Development Corporation of
Harlingen, Inc.

Raudel Garza, Manager and CEO

Eric Ziehe, Vice President