

JOINT SPECIAL MEETING OF THE  
HARLINGEN CITY COMMISSION &  
HARLINGEN WATER WORKS SYSTEM  
UTILITY BOARD OF TRUSTEES

CITY COMMISSION

HARLINGEN, TEXAS

November 6, 2019

A Joint Special Meeting of the Harlingen City Commission & Harlingen Water Works System Utility Board of Trustees was held November 6, 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

Utility Board of Trustees

- Michael Garza, Chairman
- Michael Murphy, Trustee
- Josh Fields, Trustee
- Curtis Bonner, Trustee

City Staff

- Dan Serna, City Manager
- Amanda C. Elizondo, City Secretary
- Rebecca Hayward, Assistant City Attorney

HWWS City Staff

- Tim Skoglund, General Manager
- Kathern Davidson, Finance Director
- Gene McCullough, System Attorney
- Nilda Sanchez, Administrative Assistant

Call meeting to order (Harlingen City Commission)

Mayor Boswell called the meeting to order, a quorum was established. He stated a notice of the meeting had been duly posted according to state law and the following proceedings were held.

Call meeting to order (Harlingen Waterworks System Utility Board of Trustees)

Chairman Michael Garza called the meeting to order, a quorum was established. He stated a notice of the meeting had been duly posted according to state law and the following proceedings were held.

Citizen Communication / Input

None

1. (Harlingen Waterworks System Utility Board of Trustees) Consideration and adoption of a resolution by the Harlingen Waterworks System Utility Board of Trustees relating to the issuance and sale of bonds designated as "City of Harlingen, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2019"; and other matters in connection therewith. (HWWS).

Anne Burger Entrekin with Hilltops Securities highlighted the Bond Buyer's Index of 20 Municipal Bonds and stated future rates were depended on various factors such as interest rates trend, tax rates, the supplies and demand of short term securities, changes in the law, rules and regulations, and changes in credit quality and rating agencies consideration. She highlighted the following information.

Waterworks and Sewer System Revenue Bonds  
Series 2010A

Original Principal Amount	\$6,500,000
Callable Principal	\$5,190,000
Callable Matures	2020-2035
Coupons	3.00-4.25%
Call Date	11/01/2019

Aggregate Outstanding Waterworks and  
Sewer System Revenue Bonds

<u>SERIES OF BONDS</u>	<u>PRINCIPAL OUTSTANDING (1)</u>	<u>NOTES</u>
• Series 2010A	\$ 5,190,000	Refunding Candidate
• Series 2010B (Refunding)	\$ 125,000	11/01/2020 Final Maturity
• Series 2015A	\$10,140,00	Call Date 11/01/2023
• Series 2015B (Refunding)	\$3,660,000	Call Date 11/01/2023

Proposed and Projected Waterworks and Sewer  
System Revenue  
Refunding Bonds, Series 2019

Refunding Par Amount	\$4,790,000
Gross Savings	\$ 530,230
Average Annual Savings (2020-2036)	\$ 31,190
Net Present Value Savings	\$ 462,291
Present Value Benefit (%)	8.982%
True Interest Cost	2.703%

Ms. Entrekin stated the current rate is 2.75%. Currently, the market is at the lowest rate since the 1960's. In October, 2018, the interest rates were at the high point for the whole year and increased four times in 2019. There is a 17 trillion dollars worth of debt globally. This type of event impacts the interest rate. She recommended looking at the upfront savings, target in 2021 since there is a significant drop in the debt service in 2022 and thereafter. Based on our analysis the par amount is about \$4,790,000, gross savings of \$530,000, projected annual saving of \$31,000, with value at \$530,000 gross savings, a net present value savings of \$462,000. The market timing bond issue is in a "Day to Day" mode, which means the bonds could be price at any time and in an interest rate environment which is more advantageous rather than being lock into pricing on a date of a Joint City Commission and Harlingen Water Works System Board Meeting. She highlighted the following information.

- Suggested parameters for City Commission and Board consideration:
  - Minimum Savings Threshold for Refunding - 3.00%
  - Maximum True Interest Cost -3.50%
  - Maximum Principal Amount of Issue - \$5,190,000
  - Maximum Financial Maturity Date – November 1, 2035
  - Expiration of Delegated Authority – 180 days
  - Delegation Authority – the Mayor, City Manager, Assist. City Manager, City Finance Director, the Board Chairman, General Manager, and/or the System Finance Director.

Ms. Enterkin stated with the guidance of the City Commission and HWWS Board, they could continue with the suggested parameters and the delegation of authority. This would give them a six (6) months window. The pricing of the bond would be the first week in December and the closing of the bond would be at the end of the calendar year. She recommended approval of the resolution and city ordinance for the refinancing of the bonds. If approved, they will continue with the timetable and monitoring the municipal market.

Commissioner Mezmar stated there were some bonds maturing in fifty-one (51) weeks. He asked if this bond(s) were regular bonds.

Ms. Entrekin responded in that particular maturity, it is a combination of principal and interest. Even though we are closer to the maturity date it is fixed income and it is relatively significant to that particular interest. The interest in that maturity is at 3% which is about \$6,900.

Motion was made by Trustee Bonner and seconded by Trustee Fields to approve the resolution by the Harlingen Waterworks System Utility Board of Trustees relating to the issuance and sale of bonds designated as "City of Harlingen, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2019"; and other matters in connection therewith. Motion carried unanimously.

2. (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 of the Waterworks and Sewer System Revenue Refunding Bonds, Series 2019; pledging the revenues of the Waterworks and Sewer System for repayment of said Bonds;

authorizing the redemption of certain obligations; providing for the parameter sale of said Bonds; and enacting other provisions related thereto.

Rebecca Hayward read the caption of the ordinance.

Motion was made by Commissioner Uribe and seconded by Commissioner Leal to approve the ordinance on first and final reading by the City Commission of the City of Harlingen, Texas authorizing the issuance of the Waterworks and Sewer System Revenue Refunding Bonds, Series 2019; pledging the revenues of the Waterworks and Sewer System for repayment of said Bonds; authorizing the redemption of certain obligations; providing for the parameter sale of said Bonds; and enacting other provisions related thereto.

Commissioner Mezmar recommended to the HWWS Board that when the time comes to take action on the bond maturing on 9/30/2020 and should be eliminated from the re-financing, but not now. He did not see the wisdom in refinancing a very short term bond.

Ms. Entrekin recommended that she be allowed to put the two (2) scenarios side by side to make a determination as to which scenario accomplishes the most goals and at that time they could guided as to include it or not include it.

Carey R. Troell with Bracewell Corporation stated he drafted the ordinance in a manner to discuss the refunding candidates. They did not declare which ones were customer friendly, but it gives the ultimate flexibility to the City Commission to determine at the time of pricing as to which ones could be in default. The description of the bonds remains until the time of the sale. At this time, the ordinance did not need to be amended and it is flexible enough to accommodate the request.

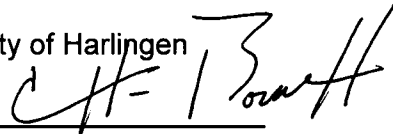
Motion carried unanimously.

Adjournment


There being no further discussion, Mayor Boswell adjourned the meeting.

There being no further discussion, Chairman Garza adjourned the meeting.

City of Harlingen

  
Chris Boswell, Mayor

ATTEST:

  
Amanda C. Elizondo, City Secretary

Harlingen Water Works System

ATTEST:

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Michael Garza, Chairman

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Nilda Sanchez, Administrative Secretary