

JOINT SPECIAL MEETING OF THE HARLINGEN CITY COMMISSION  
& HARLINGEN COMMUNITY IMPROVEMENT BOARD

March 13, 2017

A Joint Special Meeting of the Harlingen City Commission and Harlingen Community Improvement Board (4B) was held on March 13, 2017 at 12:00 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  
Tudor Uhlhorn, Commissioner District 2  
Ruben de la Rosa, Commissioner District 4  
Victor Leal, Commissioner District 5

Harlingen Community Improvement Board

Jesse Robles - President  
Deloria N. Davis  
John Guevara  
Daniel Villarreal

Absent

Paul J. Durant - Vice President  
Gina Cano-Monreal, Secretary  
Daniel Araiza, Member

Staff Present

Dan Serna, City Manager  
Amanda C. Elizondo, City Secretary  
Alan T. Ozuna, Asst. City Attorney  
Gabriel Gonzalez, Asst. City Manager  
Carlos Sanchez, Asst. City Manager  
Elvia Trevino, Finance Director

Mayor Boswell and President Robles called the meeting to order and stated the agenda had been duly posted according to state law.

- 1) Consider and take action to approve the minutes of January 4, 2017.

Motion was made by Mr. Guevara and seconded by Mr. Villarreal to approve the minutes of January 4, 2017. Motion carried unanimously.

Motion was made by Mayor Pro-Tem Mezmar and seconded by Commissioner Uribe to approve the minutes of January 4, 2017. Motion carried unanimously.

- 2) Financial Report on the Harlingen Community Improvement Board.

Elvia Trevino, Finance Director highlighted the Financial Statements for the Month ending February 28, 2017:

Total Assets: \$5,957,726.  
Cash and Investments: \$5,847,142.  
Accounts Receivable - State Comptroller: \$110,584.  
Liabilities and Fund Balance: \$5,957,726.

Revenues Sales Tax - Current Year to Date: \$609,454  
Investment Earning: \$1,896.00  
Current Year to Date: \$611,352

Expenditures Current Year to Date: \$48,643 for the Convention Center  
Excess Revenues over Expenditures: \$562,709.  
Fund Balance, Beginning of Year: \$5,395,017  
Fund Balance, Year to Date: \$5,957,726  
Unallocated Projects: \$1,295,532 - \$150,000 for marketing.  
Total expenditures will remain the same, moving from unallocated to allocate.  
Renovation/Nine Story Bldg.: \$40,000  
Transfers/Capital Imp.-North Commerce Bldg.: \$549,842.  
Total Expenditures: \$1,885,374 - unbudgeted  
Excess of Revenues over Expenditures - balance Year to Date: \$4,756,532

No action was taken on this item.

Update on Construction Project Manager for the Convention Center Project.

Mr. Serna stated the City is advertising for a construction project manager. Several interviews were conducted and staff continues to search for the right person.

3) Status Report on the Baxter Lofts Project.

Mr. Serna stated the Baxter Lofts application was submitted March 1, 2017. The preliminary ranking is on the TDHCA website. The City filed a request for a waiver to TDHCA regarding a requirement and new rule of any project within 500 ft. of a railroad track would be ineligible to receive funding. The wavier was granted and the final results of the rankings would be announced by June, 2017. The project score was at 116 points compared to other cities with 122 and 121 points. This is a revitalization project and the score of 116 did not include seven points for concerted revitalization efforts, placing the Baxter Lofts Project at 123 points. The other projects consisted of new construction which did not qualify for additional points. The other cities were max at 120 points which is referred to as "an adapted re-used brand new construction." The same developer is doing a similar project in Brownsville and this particular project score is at 116 points. There is enough money to do both projects.

4) Presentation from First Southwest on the funding capacity for the Harlingen Community Improvement Board.

Mrs. Anne Burger Entrekin, Managing Director for First Southwest highlighted the following information.

Debt Instruments Utilized by Cities to Fund 4B Projects

She explained the difference between Certificates of Obligation (CO) and Revenue Bonds. She stated entities are choosing certificates of obligation over revenue bonds. Another

factor is the City's rating of a double AA+ and AA-, the City did not have a rating, but the 4B's rating is A+ which is expected to be below what a GO rating is. If they looked at the difference, the City would expect that to be a good indicator of what the 4B's rating is. By being in the AA+ category there are investors who will invest in a double AA credits, not single A credits. The City would receive a lower interest rate and expand the potential investor pool.

Projected Capacity Analysis 1.15x Coverage - \$8,415,000  
Certificates of Obligation Issuance

Mrs. Entrekin stated they had done an analysis for the certificates of obligation and sales tax revenue bonds and based on the analysis; the City would be starting with a 50% of the 4B gross sales tax revenues. The 50% allocation conforms to the Convention Center beginning with \$712,588, being conservative and assuming no gross scenario. With a revenue bond issue there is a coverage requirement. The market would not allow the City with anything less than one and a quarter without a significant rating penalty, but for operating purposes and growth with and the trend that the City has the count would be 115. This number could be adjusted to have a 115 coverage and \$1.15 for every dollar of debt service; based on the interest rates as of March 9th, plus 35 basis points and on the conservative side, a rate of 3.69% would give a capacity of \$8,415,000.

Projected Capacity Analysis 1.15x Coverage - \$8,375,000  
Revenue Bond Issuance

If the City were to do Sales Tax Revenue Bonds the interest rate assumed is 3.79%, as of March 9, 2017, and 35 basis points, with the coverage of 115 and estimated capacity of \$8,375,000. The City is in a low interest rate environment relatively, resulting narrow credit spreads. The difference between the City's GO and the Sales Tax projections is 10 basis points. As interest rates go up the difference will widen.

Mr. Serna stated if the City decided to max out the amount, the end result would be about \$95,000 left over after the debt service. The City is seeing some growth and if the full amount is issued, \$90,000 would be generated annually and deposited into the Fund Balance.

Discussion was held in regards to Mrs. Entrekin's presentation and Mr. Serna stated the issuance of bonds were to fund the projects. The City has a proposed finance plan and the funding capacity of the 4B is 8.4 million dollars. There is 1.29 million dollars in revenues and using the \$712,000, the difference of this allocation will be for the Convention Center Project. If the bids were to come higher, the City would allow some capacity from the fund balance or seek other funding options.

5) Report on the Comprehensive Plan - Priority Projects.

a) Update on Funded Projects:

1. Convention Center Project

Mr. Serna stated the rendering was included in the packet of the exterior design that was approved by the City Commission. Staff is working with the developer and architect to finalize the material design features for the building. The different color pallets and the design would be ready within 2 to 3 weeks and would be presented to the City Commission for their approval. The next step is finishing the pricing exercise for the entire project, by taking the components for

the exterior features and interior finishes. There have been changes to the floor plans regarding the bathroom and the outside wall to obtain natural lighting into the building.

## 2. All Inclusive Playground Projects

The City has three All Inclusive Playground Projects. The City received a grant for \$425,000 from The Valley Baptist Legacy Foundation to fund the playground at Lon C Hill Park and \$100,000 donation from Rollins Koppel for playground and ADA bathroom equipment. A partnership between the City and the Harlingen School District (HCISD) will fund and build the playgrounds at Pendleton and Victor Parks. The HCISD will split the cost 50/50 and the use of the parks will be part of their curriculum for special needs students. Expected completion time for these projects was within 45 days. Approximately 1.3 million dollars worth of playground and the City spent \$400,000. The Rotary is interested in doing a fundraising for other components.

## 3. Various MPO Transportation Projects

- Spur 54 will be expanded and widen to 6 lanes. The middle ditch will be eliminated and a traffic median will be added. The cost of the project is \$6,874,132. An environmental study was being conducted. Funds were allocated from the MPO to do this project and expected completion date was Year 2018/2019. This was a TXDOT/MPO Project.
- Loop 499 Bike Lane Extension will be stripe to add bike lanes.
- Dixieland Project - a total reconstruction and turnaround project, estimated cost of \$1,500,000 funded through MPO.
- FM 509 Extension - north to connect the proposed Outer Parkway (FM195) to connect with Edinburg and South Padre Island. Project Cost: \$3,620,000 funded through MPO.

Mr. Gonzalez stated the Bicycle & Pedestrian Master Plan is a project that will provide connectivity between Harlingen to San Benito and Brownsville. Staff is proposing to seek funding from TXDOT. The limitation to the funding is \$7,000,000 state wide. Staff is working on these projects to submit the necessary information for grant funding. If the grant is approved the City will submit an application for a Master Drainage Plan. Staff is also working on the Sidewalk/Bike Projects and hoped the funding will be finalized soon. Funding consisted of over \$20,000,000 worth of projects.

- Multi-Modal Transit Center - the City received an allocation from the MPO to construct a Transit Center for buses. The allocation from the MPO is \$3,000,000, with a future allocation of \$1,000,000. The total project cost is \$5,000,000 with a local match of \$1,000,000, (25%). Staff is working on identifying a location and is also looking into different options to come up with the local match. There are some locations in town that lend themselves for a transit. The Lower Rio Grande Valley (LRGV) has the funds and staff will be requesting approval from the City Commission to submit a letter of commitment on the \$1,000,000 match to LRGV.

## 4. Library: Teen and Children's Library Project

Mr. Gonzalez stated the Harlingen Junior Service League agreed to fund these projects through a grant. They are having fundraisers and the City is partnering with them to raise additional funds for these projects.

Mr. Serna stated all these projects were discussed and identified as priority projects in the City's Comprehensive Plan by the citizens and City Commission.

b) Discussion on possible funding sources for:

1. Lon C. Hill Destination Park

Mr. Serna stated this project is moving forward and consists of \$12,000,000 in improvements. The First component was the All Inclusive Playground, a grant was received from the Legacy Foundation to do this project and it included the following components to create an area for outdoor concerts with great settings.

- Two mile trail all around the baseball stadium, with lighting basketball courts, bathrooms, small pavilions and parking lot improvements. The trail will connect to a cross street to a courtyard with benches and landscaping;
- Water feature for a future water fountain;
- Ballpark;
- Convert the Health Clinic to a Children's Discovery Center;
- Boys and Girls Club Skate Park;
- A splash pad, a swimming pool all in one park. (This could be done in two phases: Phase I - close off streets, including "L" Street and the entry plaza and an amphitheatre and trail). Estimated cost \$6.4 million.

The 4B Board has approximately \$4,000,000 in the bank, plus \$1,295,000 coming in. The City could fund part of the destination park with cash on hand and part of it through a bond. These improvements could be done with cash on hand and \$3,150,000 through the utilization of bonds. The numbers that Mrs. Entrekin highlighted were based on the \$3,151,000 which showed the capacity and revenue strength.

Projected \$3,150,000 Certificates of Obligation Issuance

Mrs. Entrekin stated that taking the same assumptions on the entire capacity, they would be solving the \$3,150,000. Principal amounts - \$3,150,000; Total P+I - \$4,620,574 which would give the City a base of a CO-\$480,000 after debt service payment; 3.5 million dollars with an additional \$20,000 to \$25,000 total P+I that the City would have leftover and would give coverage of 50% (for approximately 3 times).

Projected \$3,150,000 Sales Tax Revenue Bond Issuance

Mrs. Entrekin stated the Projected \$3,150,000 Sales Tax Revenue Bond Insurance will have the same \$3,150,000, but lower debt service coverage by three times. The projected cash flow is about \$480,000. If the City was to add this amount to 3.5 million dollars, the debt coverage would increase by \$20,000 to \$25,000.

Mr. Serna stated if the City increases the 3.5 million dollars, the City would have a fund balance of \$450,000 every year and would continue to increase. The City will be applying for

grants for the trails and different components of the parks. If the City receives a grant, it would replace the cash on hand and the funds would be returned to the fund balance. This option would not be allowed with the bonds. The Discovery Center was not part of Phase I, due to the existing location of the Health Clinic. There is a notification process requirement for use of the 4B funds. If the 4B Board and the City Commission wishes to proceed with these projects, the City will be require to publish a notice notifying the public of the 4B expenditures 60 day prior to allocating any funds to these projects and 90 days for funding approval by the 4B Board. An architect would be required to design all the components. It would take approximately six months and ten to eleven months for the bidding process, plus another year of construction. Staff did not have an estimated funding capacity for the amphitheatre because no design has been prepared.

Discussion was held regarding a concrete skate park. Mr. Serna stated the baseball diamond would be an outdoor concert venue. A Phase III could be incorporated to include a skate park. The street in front of the Boys and Girls Club would remain the same. The retractable baseball will be eliminated from the current location and the school will built their own. This substitution would not change the ability to obtain bonds, but staff would need to obtain a price for the inclusion of Skate Board Park.

Discussion was held in regards to the timing of these presentations and Mr. Serna stated staff would bring back these issues at a later time.

### 3. City Hall Renovation Project

Mr. Serna stated the City is proposing to use 1.3 million dollars to renovate City Hall. There is no place to meet in City Hall other than the Town Hall Meeting Room. Staff is proposing to renovate the 2<sup>nd</sup> Floor, Town Hall Meeting Room to create a nice dais with audio visual and an executive session room in the area of the Finance offices. The Finance Dept. will need to be renovated to accommodate staff from the 2nd floor. The City solicited RFQ's and is negotiating a contract with an architect firm to complete the plans and specs. Estimated time to complete the renovation is approximately 6 months. The design process will take 3 months. Some preliminary work has begun. The City will hold its meetings elsewhere during the renovation period. This project was discussed with Bond Counsel and there were no concerns in regards to the money from the fund balance. The Bond Counsel will be guiding the staff on use of the 4B funds. The possibility existed of constructing a City Hall five to ten years from now. Staff could bring additional information to the City Commission and 4B Board once staff had the pricing on the Convention Center.

Mayor Boswell stated this is a Historic Building with several plaques outside the building. For this reason, it was worth spending some money to improve it. This was not a place to hold meetings when staff wants to court someone to do business in Harlingen.

Mrs. Entrekin stated the longer the City waits, there is the potential for interest rate risks. Rates were at their peak after November 8<sup>th</sup> on December 1<sup>st</sup> they came back down and are now starting to increase. The City could start the 60 day notification process to comply with the public notice for the 4B Corporation proposed projects. If certificates of obligation were use, the process of the thirty day requirement would be apply to provide more time to do extra due diligence.

Mr. Serna stated staff was not requesting any 4B funding, but given the current 4B Fund Balance and unallocated budget for this year there would be an estimated balance of 1.4 million dollars.

Mr. Robles referred to the amphitheater versus the ball park and stated if there is an opportunity to adjust the plan to include a skate board park that would be better.

Mr. Serna stated staff had not finalized any designs, these are only preliminary.

Mayor Boswell recommended that a meeting be scheduled in the following month to consider what was being presented to hopefully be ready to make some decisions.

## 2. Downtown Parking Study

Gabriel Gonzalez stated an update was done of the downtown area and the Reese Building will be renting some of the floors which will impact the parking. Staff was proposing to do a downtown parking study to determine if there was sufficient parking.

Mr. Serna stated the estimated cost to do the downtown parking study was \$40,000. Staff was proposing that the funding be derived from the 4B and if the 4B Board was interested in funding this study staff could proceed with the notification process. Staff would submit a formal request to the 4B Board for funding. The study would be conducted by a consultant.

Mayor Boswell stated the City does need a parking garage. We are trying to promote a Healthy Harlingen. This issue could be address internally and staff could present this item at a later time.

Mr. Robles stated during the initial Comprehensive Plan meeting, parking was an item of discussion, but was not the initial intent. What transpired at the meetings was taking the downtown district to the next level which included a study, but not for parking. Parking would be one of the components of that study. The study would be more of a master plan for urban development. Mr. Robles stated they should not spend the \$40,000 for a parking study.

Mr. Serna stated staff would remove the Downtown Parking Study from the priority list.

### c) Report on the following priority projects:

1. Commerce Street Improvements
2. Drainage Improvements

Mr. Serna reported no funding was available for Projects 1 & 2. There were four applications pending worth over nine million dollars. Staff would continue to seek grants.

### 3. Harlingen Arts and Heritage Museum Roof

Fundraisers were being conducted to raise the funds to do the roof improvements at the Museum.

### 4. Bike Lanes

The City will set aside some money to continue doing the bike lanes.

5. Multi-Modal Transit Center

The City has not identified a location and the local match to do this project.

6) Update on the City of Harlingen – Governor Community Achievement Award Landscaping Project and possible funding reimbursement.

Mr. Serna stated received a grant for \$250,000 from the Governor Community Achievement for landscaping improvements. The City Commission approved the gateway coming from Harlingen between Tyler and Harrison Avenue across from the Tourist Center under the overpass for the landscaping project. The project will include native plants and pavers, decompose crushed granite, LED color changing lights. The bids for this project came at \$333,349.00. The City has \$200,000 for this project. This is a TXDOT Project. They will be supervising the project and will receive \$50,000 of the grant for inspections and project management. The City is short \$83,349.00 and Keep Harlingen Beautiful agreed to fund \$20,000 towards this project; however, the City is short by \$63,349.00. TXDOT is expected to start this project within 30-45 days.

7) Establish a date for next 4B Board Meeting.

Mayor Boswell stated staff will provide a meeting date within the next two to three weeks.

There being no further business to discuss the meeting was adjourned.

CITY OF HARLINGEN

  
Chris Boswell, Mayor

ATTEST:

  
Amanda C. Elizondo  
City Secretary

Harlingen Community  
Improvement Board

  
Jesse Robles, President