

**THE STATE OF TEXAS §
CITY OF BROWNSVILLE §
COUNTY OF CAMERON §**

Sally Miniel Arroyo, At-large Commissioner "A"
Ricardo Longoria, Jr., District Commissioner 1
Carlos A. Cisneros, District Commissioner 3

Ernie L. Hernandez, Jr., At-large Commissioner "B"
Charlie Atkinson, District Commissioner 2
Edward C. Camarillo, District Commissioner 4

Eddie Treviño, Jr., Mayor

**NOTICE OF PUBLIC MEETING OF THE
CITY COMMISSION OF THE CITY OF BROWNSVILLE**

Pursuant to Chapter 551, Title 5 of the Texas Government Code, the Texas Open Meetings Act, notice is hereby given that the City Commission of the City of Brownsville, Texas, in accordance with Article V, Section 12, of the Charter of said City, will convene a **Special Meeting**, on **Wednesday, July 26, 2006, at 12:00 P.M.** in the Commission Chambers, on the Second Floor of the Brownsville City Hall – Federal Building, located at 1001 East Elizabeth Street, Brownsville, Cameron County, Texas, 78520.

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SPECIAL MEETING: 12:00 P.M.

PLEDGE OF ALLEGIANCE: UNITED STATES PLEDGE * TEXAS PLEDGE

INVOCATION:

* * * * *

CONSENT AGENDA ITEM:

1. Approval on **SECOND** and **FINAL READING** of **Ordinance Number 2006-1460** to authorize an Interest Rate Cap Agreement in connection with the City of Brownsville, Texas Utilities System Subordinate Lien Revenue and Refunding Bonds, Series 2002A and 2002B; enacting other provisions incident and related to the subject and purpose of this ordinance; and providing for an effective date. (Pete Gonzalez –Finance)

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PUBLIC COMMENT PERIOD: PLEASE NOTE:

- ANY PERSON WITH BUSINESS BEFORE THE COMMISSION, NOT SCHEDULED ON THE AGENDA AS A **PUBLIC HEARING**, MAY SPEAK TO THE COMMISSION.
- "PUBLIC COMMENT FORMS" ARE LOCATED ON THE SECOND FLOOR AT THE ENTRANCE OF THE COMMISSION CHAMBERS.
- "PUBLIC COMMENT FORMS" MUST BE FILLED OUT AND PRESENTED TO THE CITY SECRETARY/STAFF FIFTEEN (15) MINUTES PRIOR TO THE MEETING, TO BE CONSIDERED/RECOGNIZED.
- THE SPEAKER MUST IDENTIFY BY NAME BEFORE SPEAKING.
- THERE IS A THREE (3)-MINUTE TIME LIMIT PER SPEAKER.
- "PUBLIC COMMENT FORMS" ARE NOT ACCEPTED AFTER 12:00 P.M.
- *POWERPOINT* PRESENTATIONS ARE NOT CONDUCTED DURING THE PUBLIC COMMENT PERIOD. [For further information, contact The Office of the City Secretary at 548-6001]
- NO FORMAL ACTION CAN BE TAKEN.

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ADJOURNMENT:

NOTE: The City Commission of the City of Brownsville reserves the right to discuss any items in Executive Session whenever authorized under the Texas Open Meetings Act, Chapter 551, Title 5 of the Texas Government Code.

NOTE: The City of Brownsville does not discriminate on the basis of disability in the admission of, access to, treatment of, or employment in its programs, activities, or public meetings. Any individual with a disability in need of an accommodation is encouraged to contact the ADA Coordinator at 956/548-6037 (voice or Relay TX) by Monday, no later than 5:00 P.M., to make proper arrangements.

By: **Eddie Treviño, Jr.**
Mayor of the City of Brownsville

I certify that a copy of the July 26, 2006, Agenda of items to be considered by the Brownsville City Commission was posted on the Bulletin Area at City Hall – Federal Building, on July 21, 2006. I further certify that the Agenda was posted on the City's website and can be downloaded by accessing: www.cob.us/agendas.asp.



Estela Von Hatten, City Secretary



AGENDA REQUEST FORM

CITY COMMISSION MEETING DATE: 07/26/2006 ITEM NUMBER: 1.
DEPT. MAKING REQUEST: Finance DATE SUBMITTED: 07/17/2006
CONTACT PERSON(S) NAME: Pete Gonzalez
PHONE: 548-6020 FAX: 546-2270 E-MAIL:

AGENDA CATEGORY: (TIME LIMIT)
EXECUTIVE SESSION WORKSHOP PRESENTATION DISCUSSION

Length of Time Needed for The Item Above: (minutes)

(No time limit)

CONSENT PUBLIC HEARING ACTION

AGENDA ITEM: (Attach back up material)

APPROVAL on SECOND and FINAL READING of Ordinance Number 2006-1460 to authorize an Interest Rate Cap Agreement in connection with the City of Brownsville, Texas Utilities System Subordinate Lien Revenue and Refunding Bonds, Series 2002A and 2002B; enacting other provisions incident and related to the subject and purpose of this ordinance; and providing for an effective date.

AGENDA ITEM HISTORY: Second Reading Tabled on Discussed on
Pending Info Received Other First Reading on July 25, 2006

FINANCIAL: Budgeted: YES NO N/A

Grant/Matching Funds From:

STAFF RECOMMENDATION: (mark your selection) Approve Deny
Table for weeks Table Indefinitely Other:

OTHER RECOMMENDATION:(Write in advisory board or committee name and recommendation if applicable)

ADMINISTRATIVE APPROVAL: YES NO
City Manager

CITY OF BROWNSVILLE, TEXAS

ORDINANCE NO. 2006-1460

Adopted July 26, 2006

Authorizing:

**INTEREST RATE CAP AGREEMENT FOR
CITY OF BROWNSVILLE, TEXAS
UTILITIES SYSTEM SUBORDINATE LIEN
REVENUE AND REFUNDING BONDS,
SERIES 2002A and 2002B**

ORDINANCE NUMBER 2006-1460

AN ORDINANCE BY THE CITY COMMISSION OF THE CITY OF BROWNSVILLE, TEXAS, AUTHORIZING AN INTEREST RATE CAP AGREEMENT IN CONNECTION WITH THE CITY OF BROWNSVILLE, TEXAS UTILITIES SYSTEM SUBORDINATE LIEN REVENUE AND REFUNDING BONDS, SERIES 2002A AND 2002B; ENACTING OTHER PROVISIONS INCIDENT AND RELATED TO THE SUBJECT AND PURPOSE OF THIS ORDINANCE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City Commission (herein referred to as the “*City Commission*”) of the City of Brownsville, Texas (herein referred to as the “*City*”) has heretofore issued, and there are currently outstanding, revenue bonds (herein referred to as the “*Outstanding Priority Bonds*”) supported by a first and prior lien on and pledge of Pledged Revenues (defined herein) of the City’s combined utilities System (defined herein), revenue bonds (herein referred to as the “*Outstanding Second Lien Bonds*”) supported by a junior lien on and pledge of the Pledged Revenues of the System, and revenue bonds (herein referred to as the “*Series 2002 Bonds*”) supported by a subordinate lien on and pledge of the Pledged Revenues of the System, reserving the right to issue additional obligations supported by parity liens on and pledges of the Pledged Revenues of the System as well as obligations secured by inferior liens; and

WHEREAS, the Series 2002 Bonds bear interest at rates determined weekly in accordance with current market conditions, and, in order to enable the City’s Public Utilities Board to accurately budget its debt service requirements and to hedge against possible future increases in the rate of interest borne by the Series 2002 Bonds the City previously executed an interest rate hedge agreement with Bank of America, N.A. which only hedges a portion of the outstanding principal amount of the Series 2002 Bonds and terminates on September 1, 2008, the City Commission desires that the City enter into an additional interest rate hedge transaction to hedge against possible future increases in the interest rate borne by the Series 2002 Bonds which have not been hedged by the existing interest rate hedge agreement with Bank of America, N.A.; and

WHEREAS, the City Commission may authorize the interest rate cap agreement herein authorized pursuant to the provisions of Chapter 1371, as amended, Texas Government Code (herein referred to as the “*Act*”); and

WHEREAS, the ordinances authorizing issuance of the Outstanding Priority Bonds, the Outstanding Second Lien Bonds, and the Series 2002 Bonds permit the interest rate cap agreement herein authorized, all on the conditions herein stated; and

WHEREAS, City’s Public Utilities Board has pursuant to a resolution adopted on July 10, 2006, recommended that the interest rate cap transaction authorized hereby should be entered into by the City and has appropriated and reserved sufficient funds to pay the obligations of the City thereunder; and

WHEREAS, the City Commission hereby finds and determines that the action authorized hereby is in the best interest of the City and its inhabitants; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF BROWNSVILLE, TEXAS, THAT:

SECTION 1. Definitions; Meanings. For all purposes of this Ordinance, except as otherwise expressly provided or unless the context otherwise requires, the terms defined in this Ordinance shall have the meanings assigned to them in this Ordinance, and all other terms not defined in this Ordinance shall have the meanings assigned in the ordinance authorizing the Series 2002 Bonds, as amended (the "*Series 2002 Bonds Ordinance*").

SECTION 2. Authorization of Interest Rate Cap Transaction. The terms and form of the Rate Cap Agreement attached hereto as *Exhibit A* are hereby approved. The Mayor and City Secretary of the City are hereby authorized for a period of 60 days to execute and deliver, for and on behalf of and in the name of the City and as the act and deed of the City Commission, a Rate Cap Agreement (hereinafter referred to as the "*Cap Agreement*") with one of the designated providers listed in Exhibit B hereto or such other provider that is rated at least AA- by Standard and Poor's Ratings Group or Aa3 by Moody's Investors Service, Inc. and that is a frequent provider of interest rate caps, substantially in such form and to such effect, with such changes and completions thereto as they may deem advisable; *provided* that (1) the term of such Cap Agreement shall not extend beyond September 1, 2011, (2) the fixed rate of interest at which payments by the City under the Cap Agreement are calculated shall not exceed 4.5% per annum, (3) the up front payment to be made by the Public Utilities Board on behalf of the City shall not exceed \$500,000, (4) the terms of such agreements are approved by the General Manager and Chief Executive Officer of the System, and (5) the Cap Agreement is first approved by the Attorney General of Texas.

SECTION 3. Payment Source. The City's Public Utilities Board has pursuant to a resolution recommending the approval of the Cap Agreement previously appropriated and set aside the maximum amount of the up front payment required under the terms of the Cap Agreement from the Plant Fund. The Cap Agreement shall not be an Additional Subordinated Obligation within the meaning of the Series 2002 Bond Ordinance.

SECTION 4. Receipts from the Cap Agreement. All funds received by the City from the Cap Agreement shall be deposited into the Subordinated Obligations Fund as required by the Series 2002 Bond Ordinance for the deposit of receipts from a hedge agreement.

SECTION 5. Ordinance a Contract; Amendment; Subrogation. This Ordinance shall constitute a contract with the party to the Cap Agreement from and after execution and delivery thereof by the City. The City shall not amend, repeal, or otherwise modify any provision of this Ordinance in a manner that adversely affects the interests of such party without the consent of such party. If the City enacts any amendment to this Ordinance or amends the Cap Agreement, the City shall send a copy of such amendment to Standard & Poor's Ratings Services, addressed to it at 55 Water Street, 38th Floor, New York, New York 10041, Attention: Municipal Structured Group, or at such other address as may have been provided to the City by such person.

SECTION 6. Inconsistent Provisions. All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to

the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters ordained herein.

SECTION 7. Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 8. Severability. If any provision of this Ordinance or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Ordinance and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Commission hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 9. Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals and other statements therein are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Commission.

SECTION 10. Public Meeting. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 11. Further Proceedings. The officers and employees of the City are hereby authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance and, upon execution and delivery thereof, the Cap Agreement. In addition, prior to the execution and delivery of the Cap Agreement, the Mayor, the City Manager or Assistant City Manager, the City Attorney, the General Manager and Chief Executive Officer, the Director of Finance and Chief Financial Officer, and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (1) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance or (2) obtain the approval of this Ordinance, the Cap Agreement, and the proceedings of the City Commission authorizing the same by the Attorney General of Texas. In case any officer of the City whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 12. Effective Date. This Ordinance shall be in force and effect from and after its final passage, and it is so ordained.

FIRST READING on the 25th day of July, 2006.

SECOND AND FINAL READING, PASSED AND ADOPTED on the 26th day of July,
2006.

CITY OF BROWNSVILLE, TEXAS

By: _____
Eddie Treviño, Jr.
Mayor

ATTEST:

Estela Von Hatten
City Secretary

(CITY SEAL)

EXHIBIT A
FORM OF RATE CAP AGREEMENT

SEE TAB NO. ___

EXHIBIT B**LIST OF PERMITTED PROVIDERS**

Firm Name	Moody's	S&P
Bank of America, N.A.	Aa1	AA
The Bank of New York	Aa2	AA-
Bear Sterns Financial Products	Aaa	AAA
BNP Paribas Paris	Aa2	AA
Citibank NA	Aa1	AA
Goldman Sachs Capital Markets	Aa3	A+
Royal Bank of Canada	Aa2	AA-
SMBC Derivative Products Limited	Aaa	AAA
JP Morgan Chase Bank N.A.	Aa2	AA-
UBS AG	Aa2	AA+
SunTrust Bank	Aa2	AA-