

Bond Case Briefs

Municipal Finance Law Since 1971

Texas Freeze Forces Corpus Christi Bond Sale After Huge Gas Bill.

- **City's bill was \$40.7 million compared with usual \$1.5 million**
- **CFO Sanchez says others likely fared worse after deep freeze**

The city of Corpus Christi in South Texas usually spends about \$18 million on gas annually, but its bill for February alone is more than double that after a deep freeze gripped the state, forcing the municipality into a bond sale.

February's bill hit \$40.7 million, or roughly 27 times higher than the average winter cost of \$1.5 million a month, Constance Sanchez, Corpus Christi's chief financial officer, said in an interview. The cost is also equal to more than 4% of the city's entire annual expenditures budget.

As a result, the city plans to issue a \$35 million bond by private placement. Corpus Christi acts as the gas utility for its residents, and is mandated to pass costs on. The money raised by the bond will allow residential and industrial consumers over the next decade to avoid spikes in their monthly bills.

"We're calling it a short-term utility note, it's going to be repaid by our gas utility customers over a 7-to-10-year time period," Sanchez said. "That's the most palatable avenue the city management presented to the city council in order to get over this crisis situation."

While the aftermath of the Texas power crisis has already pushed some electricity providers into bankruptcy, the Corpus Christi bill is one of the first indications of what the surge in natural gas prices during the cold snap will mean for municipalities, utilities and ultimately residents. The fuel was in short supply after pipelines and equipment froze and power outages forced production slowdowns.

Even More Texans Are Set to Face Thousand-Dollar Power Bills

Corpus Christi's gas costs began the month at about the average rate of \$4.25 per thousand cubic feet. As the cold weather set in, they began rising quickly, first to \$11, then to \$20, Sanchez said. For two days mid-month during the worst of the crisis, the cost surged to \$400, nearly 100 times the norm. By the end of the month, the average price was around \$100.

"That would have created bills in the thousands of dollars for our customers because there was high usage for people trying to stay warm," Sanchez said.

Bids for the Corpus Christi bond are due March 25, and the city expects to pay an annual interest rate of between 2% and 2.5%.

With bills for February only just being finalized, many other cities across Texas could be facing a similar, or worse, situation.

“From what I understand, the city of Corpus Christi did not see as negative an impact as other cities in Texas did,” Sanchez said. “We feel we’re very fortunate that we’re in a position to do this and get this behind us,” she said, referring to the bond sale.

Bloomberg Markets

By Kevin Crowley and Rachel Adams-Heard

March 22, 2021, 4:00 AM PDT

Copyright © 2022 Bond Case Briefs | bondcasebriefs.com