



To: Mayor Bill Foulds, Jr. and City Council
From: Richard Donoghue, Bond Counsel
Date: May 17, 2022
RE: Certificates of Obligation Ordinance - Wastewater
Attorney/Client Privilege

On March 15, 2022, the City Council approved the publication of an official notice of intention to issue combination tax and surplus revenue certificates of obligation (the "Certificates") in an amount not to exceed \$19,895,000 and with a maximum maturity date of June 1, 2042.

Notice of the City's intention to issue the Certificates was published twice in *The Century News* and on the City's website in accordance with State law.

The Ordinance is the official action of the City Council authorizing the issuance of the Certificates.

The Certificates are authorized for the purpose of paying contractual obligations incurred in connection with: (1) financing the planning, acquisition, design and construction of improvements to the City's wastewater system, including constructing a new wastewater treatment plant, installing a City-wide SCADA electronic monitoring and operations system, expanding the existing wastewater collection system and constructing an effluent holding pond and pump station, treated effluent distribution system improvements, and related costs and the acquisition of any necessary easements or land; and (2) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Certificates.

The Certificates mature serially on June 1 in each of the years 2023 through and including 2041. The Certificates are being purchased by the Texas Water Development Board ("TWDB") with an overall net interest cost of 1.8137426%.

The Certificates are the second debt issue from a commitment originally issued by the TWDB in 2019 and subsequently extended. In 2019, the City issued \$23.5 million of certificates of obligation to the TWDB under this commitment. The Ordinance and the accompanying Paying Agent/Registrar and Escrow Agreements are all in substantially the same form used in the 2019 CO issue.

The Certificates are legally secured by and payable from a pledge of ad valorem taxes in the City as provided by law and are additionally secured by the surplus revenues of the City's wastewater system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding) that are payable from all or part of such revenues. However, the City may pay for the Certificates from any lawfully available funds other than ad valorem taxes, such as the net revenues of its wastewater system.