



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: Consideration and approval of an ordinance authorizing the issuance of “City of Fair Oaks Ranch, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024”; providing for the payment of said certificates by the levy of an ad valorem tax upon all taxable property within the City and further securing said certificates by a lien on and pledge of the pledged revenues of the system; authorizing the execution of any necessary engagement agreement with the City’s financial advisors; and providing an effective date.

DATE: September 5, 2024

DEPARTMENT: Finance

PRESENTED BY: Summer Fleming, CGFO, Director of Finance
Andrew Friedman, Managing Director, SAMCO Capital

INTRODUCTION/BACKGROUND:

On June 6, 2024, City Council authorized the Publication of Notice of Intention to issue Certificates of Obligation to fund capital improvements to the water and wastewater utility. Since that time steps have been taken to receive bids from potential purchasers of the obligations, which are due on Thursday, September 5, 2024, at 11:00am CST.

In this presentation, Andrew Friedman, Managing Director of SAMCO Capital, will be reviewing the bids received and ask for authorization to issue the certificates. The authorization must be received the same day the bids are received in order to lock in pricing. Because of this the ordinance must be approved in one reading under the provision afforded by Texas Local Government Code §1201.028. This provision states the ordinance to approve the issuance of debt can be done at the same time the bids are received in one reading, and therefore overrides any local government charter requirements of multiple ordinance readings.

The attached ordinance is only a draft as the final ordinance cannot be completed until the bids are received on September 5, 2024.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

- Supports priority 1.4 of the Strategic Action Plan to develop sustainable financing strategies aligned with service delivery expectations.
- Supports priority 3.1 of the Strategic Action Plan to enhance and ensure continuity of reliable water resources in accordance with CCN obligations.
- Supports priority 3.2 of the Strategic Action Plan to enhance and ensure continuity of reliable wastewater treatment in accordance with CCN obligations.

One important benefit of using debt to fund the capital budget is that each generation of utility users pays for its use of capital facilities. Other advantages are that user fees can be maintained at consistent levels and projects can be built as they are needed rather than delayed until sufficient funds for their construction are accumulated.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

Long-term financial impacts are based on a proposed project schedule the City provided SAMCO Capital for the issuance of debt over a five-year period. SAMCO proposes three issuances totaling \$18,005,000 to fund Water and Wastewater projects. The first issuance of \$3.735 million in September 2024 would result in estimated utility debt obligations, including principal and interest, totaling \$5,282,213 over 20 years.

Revenue earned from the water debt service fee would pay the debt service for water projects and revenue earned from the wastewater debt service fee will be used to pay the debt service for wastewater projects. The water debt service fee and wastewater debt service fee will be calculated annually during the budget process by dividing the annual debt service payment by the number of water and wastewater connections on July 1 of each year.

Based on a preliminary debt service schedule, the estimated Water Debt Service Fee would go from \$7.33 in FY 2023-24 to \$23.84 in FY 2024-25, and the estimated Wastewater Debt Service fee would go from \$2.26 to \$17.14. The final debt service schedule cannot be calculated until the bids are received and the lowest bid is accepted. The Capital Fees in the water and wastewater funds would see corresponding decreases of \$4.69 and \$4.51 to partially offset the new debt service.

LEGAL ANALYSIS:

Approved as to form.

RECOMMENDATION/PROPOSED MOTION:

I move to adopt an ordinance authorizing the issuance of “City of Fair Oaks Ranch, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024.”