



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: Consideration and possible action approving a resolution authorizing an Official Notice of Sale to issue Certificates of Obligation in the amount of \$7,930,000 for water and wastewater projects; and providing an effective date

DATE: July 17, 2025

DEPARTMENT: Finance

PRESENTED BY: Summer Fleming, CGFO, Director of Finance

INTRODUCTION/BACKGROUND:

The City Council has previously approved multiple Capital Improvement Plans (CIPs), including the 5-Year Water, Wastewater, and Reuse CIP in October 2021, and the FY 2022–27 Drainage CIP in January 2022. During the FY 2024–25 budget process, the Council also reviewed the FY 2025–29 Proposed CIPs and approved select projects for funding.

To support water and wastewater improvements, the City Council authorized a series of Certificates of Obligation (COs) for water and wastewater projects, starting in September 2024, with additional issuances planned for 2025 and 2026.

On June 5, 2025, the City Council approved a resolution authorizing the publication of a Notice of Intention to issue \$9,545,000 in COs for water, wastewater, and drainage projects. This fulfilled the legal notice requirement ahead of the planned sale. While the original plan included debt funding for drainage projects, a recent decision has freed up savings in the Strategic Projects Fund from a scheduled project. As a result, staff recommends funding the two remaining FY 2025-26 drainage projects through available appropriations in the Strategic Projects Fund. Future drainage needs can still be addressed through operating or debt funding during the planned CO issuance in September 2026 if necessary.

With this updated recommendation, the proposed issuance amount is reduced to \$7,930,000 and will fund only water and wastewater projects.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

- Supports Priority 1.4 to Develop Sustainable Financing Strategies Aligned with Service Delivery Expectations of the Strategic Action Plan.
- Supports Priority 3.1 to Enhance and Ensure Continuity of Reliable Water Resources in Accordance with CCN Obligations.
- Supports Priority 3.2 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 or taxpayers pays for its use of capital facilities. Other advantages are that user fees or tax rates can be maintained at consistent levels and projects can be started 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 the City's proposed project schedule provided to SAMCO Capital for debt issuance over a five-year period. SAMCO recommends three issuances totaling \$18 million to fund water and wastewater projects. The first series, totaling \$3.7 million, was issued in September 2024 and structured to keep the utility debt service fee stable over the term. The second series, planned for 2025, totals \$7.93 million and will fund ongoing projects as well as two new projects included in the proposed FY 2025-26 budget.

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. 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 estimated Water Debt Service Fee would go from \$23.85 in FY 2024-25 to \$23.89 in FY 2025-26, and the estimated Wastewater Debt Service fee would go from \$17.03 to \$16.91.

LEGAL ANALYSIS:

Approved as to form.

RECOMMENDATION/PROPOSED MOTION:

I move that the City Council adopt a resolution authorizing a Notice of Sale to issue Certificates of Obligation in the amount of \$7,930,000 for water and wastewater projects.