



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: Consideration and approval of a resolution by the City Council of the City of Fair Oaks Ranch, Texas authorizing and approving Publication of Notice of Intention to issue Certificates of Obligation; complying with the requirements contained in Securities and Exchange Commission Rule 15c2-12; and providing an effective date.

DATE: June 20, 2024

DEPARTMENT: Finance

PRESENTED BY: Summer Fleming, Director of Finance
Grant Watanabe, P.E., Director of Public Works and Engineering Services
Andrew Friedman, Managing Director, SAMCO Capital

INTRODUCTION/BACKGROUND:

On October 21, 2021, the City Council approved the City's proposed 5-year Water, Wastewater, and Reuse Capital Improvement Plan. And on January 20, 2022, the City Council approved the proposed FY 2022-27 Drainage Capital Improvement Plan. More recently, the City Council reviewed the FY 2024-28 Proposed Capital Improvements Plan during a budget workshop on July 20, 2023, and reviewed financing scenarios and a draft timeline for approving the plan.

On October 5, 2023, City Council approved a Resolution appointing members of the Capital Improvements Advisory Committee to serve as the ad hoc Bond Advisory Committee (BAC) to the Council and directed the City Manager to develop financing options. In five open meetings held between October 2023 and January 2024, the BAC reviewed each roadway and drainage project and presented its report and recommendation to City Council on January 18, 2024.

The BAC later met in four open meetings between April and May 2024 to review each water and wastewater project and submitted their report and recommendation to City Staff on May 31, 2024.

This Resolution authorizes and approves publication of a Notice of Intention to issue Certificates of Obligation for the purpose of paying contractual obligations of the City to be incurred for drainage, water, and wastewater projects. The Notice of Intent is a statutory requirement in the event the City Council authorizes the issuance of Certificates of Obligation in September 2024 for projects budgeted in FY 2024-25; however, this notice does not require the certificates to be issued.

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.
- Supports Priority 3.3 to Enhance and Ensure Continuity of Reliable Drainage Improvement Initiatives.

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 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 utility debt obligations, including principal and interest, totaling \$5,282,213 over 20 years. 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 \$7.33 in FY 2023-24 to \$24.16 in FY 2024-25, and the estimated Wastewater Debt Service fee would go from \$2.26 to \$17.33.

For drainage projects SAMCO proposes two issuances totaling \$1.865 million. The first issuance of Certificates of Obligation in the amount of \$250,000 would result in debt obligations, including principal and interest, totaling \$368,788 over 20 years. When considering the issuance of CO's for drainage with the issuance of General Obligation bonds for roadways, the estimated maximum annual increase to the City's Interest and Sinking (I&S) tax rate would be \$0.0228, or \$22.80 per \$100,000 of taxable value. Individual homeowner impacts range from an annual increase of \$91.08 for a home with a net taxable value of \$400,000 to \$341.55 for a home with net taxable value of \$1,500,000.

LEGAL ANALYSIS:

Approved as to form.

RECOMMENDATION/PROPOSED MOTION:

I move that the City Council adopt a resolution authorizing and approving a Publication of Notice of Intent to issue Certificates of Obligation.