



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 5, 2025

DEPARTMENT: Finance

PRESENTED BY: Summer Fleming, CGFO, Director of Finance
Grant Watanabe, P.E., Director of Public Works and Engineering Services

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, 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), beginning in September 2024, with additional issuances scheduled for 2025 and 2026. In addition, staff recommends issuing \$1.61 million in COs to support drainage infrastructure.

The attached Resolution authorizes the publication of a Notice of Intention to issue COs for drainage, water, and wastewater projects. This notice fulfills statutory requirements should Council proceed with the issuance in September 2025; however, it does not obligate the City to issue the COs.

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 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 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 million to fund Water and Wastewater projects. The first series of \$3.7 million was issued in September 2024 and was structured so that the debt service fee charged to utility customer would be stable throughout the term. The second series is scheduled for 2025 for the continuation of projects in process in addition to two new 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. 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.

The drainage CIP totals \$1.61 million for FY 2025-29. SAMCO proposes issuing the total \$1.61 million in FY 2025. This issuance of Certificates of Obligation in the amount of \$1.61 million would result in debt obligations, including principal and interest, totaling \$2.3 million over 20 years. The estimated maximum annual increase to the City's Interest and Sinking (I&S) tax rate would be \$0.014, or \$14 per \$100,000 of taxable value. Individual homeowner impacts range from an annual increase of \$56 for a home with a net taxable value of \$400,000 to \$210 for a home with net taxable value of \$1,500,000.

LEGAL ANALYSIS:

Resolution approved by legal.

RECOMMENDATION/PROPOSED MOTION:

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