



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 2025;” 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: August 7, 2025

DEPARTMENT: Finance

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

INTRODUCTION/BACKGROUND:

On June 5, 2025, 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, August 7, 2025, at 11:00am CST.

Andrew Friedman, Managing Director of SAMCO Capital, will review the bids received and ask for authorization to issue the certificates. The authorization must be received the same day the bids are received to lock in pricing. Therefore, 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 will be completed when the bids are received on August 7, 2025.

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 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 customers 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 will pay the debt service for water projects and revenue earned from the wastewater debt service fee will 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:

Ordinance approved by legal.

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 2025."