



CITY COUNCIL MEMORANDUM

FROM: The Office of the City Manager **DATE:** August 22, 2022

SUBJECT: Consider Ordinance No. 3752, authorizing the issuance of “City of North Richland Hills, Texas, General Obligation Bonds, Series 2022”; specifying the terms and features of said bonds; levying a continuing direct annual ad valorem tax for the payment of said bonds; and resolving other matters incident and related to the issuance, sale, payment and delivery of said bonds, including the approval and execution of a Paying Agent/Registrar Agreement, and the approval and distribution of a Preliminary Official Statement and an Official Statement; and providing an effective date.

PRESENTER: Mark C. Mills, Director of Finance

SUMMARY:

City Council is requested to consider all matters related to the issuance and sale of City of North Richland Hills, Texas General Obligation Bonds, Series 2022 (the “GO’s”), including the adoption of Ordinance No. 3752. Sealed bids for the GO’s are to be received on Monday, August 22, 2022.

GENERAL DESCRIPTION:

The proposed GO sale will include \$12,405,000 in bonds. These bonds will be used to fund projects directly associated with the 2020 Bond Election program.

Debt Type	Bond Election	Taxable / Tax-Exempt	Project Type	Project Number	Description	Amount
GO	2020 BE	Tax-Exempt	Streets	ST2219	Crystal Lane	493,200.00
GO	2020 BE	Tax-Exempt	Streets	ST2220	Daniel Drive	497,400.00
GO	2020 BE	Tax-Exempt	Streets	ST2210	Dawn Drive	1,222,800.00
GO	2020 BE	Tax-Exempt	Streets	ST2218	Harmonson Road	2,326,000.00
GO	2020 BE	Tax-Exempt	Streets	ST2214	Kirk Lane	418,800.00
GO	2020 BE	Tax-Exempt	Streets	ST2211	Lariat Trail	2,362,800.00
GO	2020 BE	Tax-Exempt	Streets	ST2212	Main Street	1,397,000.00
GO	2020 BE	Tax-Exempt	Streets	ST2221	Post Oak Drive	590,400.00
GO	2020 BE	Tax-Exempt	Streets	ST2217	Sierra Drive	658,800.00
GO	2020 BE	Tax-Exempt	Streets	ST2216	South Crest Drive	373,800.00
GO	2020 BE	Tax-Exempt	Streets	ST2213	Windhaven Road	1,366,800.00
GO	2020 BE	Tax-Exempt	Streets	ST2215	Wood View Drive	697,200.00
TOTAL						12,405,000.00

The Preliminary Official Statement and Notice of Sale were released for consideration to potential bidders on Friday, August 12. Based on the structure recommended by the



City's Financial Advisor, Hilltop Securities, the tax-exempt GO's will be sold at a premium. The City expects to issue approximately \$11,780,000 in GO's (i.e. the par amount). In addition, the City expects to receive a net premium on the GO's of approximately \$795,000. After deducting costs associated with the issuance of the GO's the City will receive net proceeds of \$12,405,000, the amount required to cover the GO-funded projects. The final par and premium amounts will be determined based on the winning bid received on August 22.

As part of this process, the City seeks credit ratings from S&P Global Ratings ("S&P") and Moody's Investors Service ("Moody's"). These ratings are a representation of creditworthiness and provide an evaluation of a bond issuer's financial strength and capacity to repay the bond's principal and interest. S&P has assigned its AA+ rating to both the GO's and CO's. At the same time, S&P affirmed its AA+ rating on the city's existing GO debt and certificates of obligation. The AA+ rating is S&P's second highest rating, behind AAA. Moody's has assigned its Aa2 rating to both the GO's and CO's, as well as maintaining the Aa2 rating on the City and its outstanding obligations. Aa2 is Moody's third highest rating, behind Aaa and Aa1. These ratings represent obligations of high quality, with very low credit risk. These are the same ratings the City received when it last went through this rating process in 2021.

Staff requests that Council consider the approval of an ordinance prepared by the City's Bond Counsel, Norton Rose Fulbright US LLP. A draft, prepared prior to the receipt of bids for the Bonds, has been provided as an attachment to this item. The ordinance also authorizes all necessary actions associated with the transaction. If approved, the closing and delivery of funds would occur on or around September 21, 2022.

RECOMMENDATION:

Approve Ordinance No. 3752, authorizing the issuance of "City of North Richland Hills, Texas, General Obligation Bonds, Series 2022"; specifying the terms and features of said bonds; levying a continuing direct annual ad valorem tax for the payment of said bonds; and resolving other matters incident and related to the issuance, sale, payment and delivery of said bonds, including the approval and execution of a Paying Agent/Registrar Agreement, and the approval and distribution of a Preliminary Official Statement and an Official Statement; and providing an effective date.