



CITY COUNCIL MEMORANDUM

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

SUBJECT: Consider Ordinance No. 3753, authorizing the issuance of “City of North Richland Hills, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2022”; providing for the payment of such certificates of obligation by the levy of an ad valorem tax upon all taxable property within the City and a limited pledge of the net revenues derived from the operation of the City's waterworks and sewer system; providing the terms and conditions of such certificates and resolving other matters incident and relating to the issuance, payment, security and delivery of such certificates of obligation; and providing an effective date.

PRESENTER: Mark 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 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2022 (the “CO’s”), including the adoption of Ordinance No. 3753. Sealed bids for the CO’s are to be received on Monday, August 22, 2022

GENERAL DESCRIPTION:

On June 27, 2022, the City Council passed Resolution No. 2022-027, authorizing the publication of a notice of intent to issue CO’s in a newspaper of general circulation. In accordance with State law, the notice was published in the Fort Worth Star Telegram on July 1, 2022 and July 8, 2022 and was also placed on the City’s website beginning July 5, 2022. The notice included a not-to-exceed amount of \$3,875,000 for the purpose of:

1. Constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving the City’s water and sewer system facilities, including the acquisition of land and rights-of-way therefor;
2. Acquiring fleet vehicles and equipment for various City departments, including the fire/emergency services department; and



3. Professional services rendered in relation to such projects and the associated financing thereof.

These funds serve as a funding source for the Big Fossil Interceptor Rehabilitation project, a 12" and 10" sewer by-pass line, and the replacement of an ambulance.

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 CO's will be sold at a premium. The City expects to issue approximately \$3,635,000 in CO's (i.e. the par amount). In addition, the City expects to receive a net premium on the CO's of approximately \$245,000. The total funds received will be approximately \$3,880,000. After deducting costs associated with the issuance of the CO's the City will receive net proceeds of 3,805,000 for the CO-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 CO's, has been provided as an attachment to this item. The ordinance 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. 3753, authorizing the issuance of "City of North Richland Hills, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2022"; providing for the payment of such certificates of obligation by the levy of an ad valorem tax upon all taxable property within the City and a limited pledge of the net revenues derived from the operation of the City's waterworks and sewer system; providing the terms and conditions of such certificates and resolving other matters incident and relating to the issuance, payment, security and delivery of such certificates of obligation; and providing an effective date.