

CITY COUNCIL MEMORANDUM

FROM: The Office of the City Manager **DATE:** November 14, 2022

SUBJECT: Consider Ordinance No. 3771, authorizing the issuance of “City of North Richland Hills, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2022A”; 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 2022A (the “CO’s”), including the adoption of Ordinance No. 3771. Sealed bids for the CO’s are to be received on Monday, November 14, 2022

GENERAL DESCRIPTION:

On September 12, 2022, the City Council passed Resolution No. 2022-039, 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 September 16, 2022 and September 23, 2022 and was also placed on the City’s website beginning September 19, 2022. The notice included the following purposes:

- i. constructing, renovating, equipping, and improving various City streets, roads, and intersections, and related curb, gutter, sidewalk, trail, drainage and utility infrastructure improvements, and the acquisition of land, easements, rights-of-way, and other real property interests necessary therefor,
- ii. 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,



- iii. acquiring fleet vehicles and equipment for various City departments, including the fire/emergency services department and public works, and
- iv. professional services rendered in relation to such projects and the financing thereof.

These funds serve as a funding source for various projects approved as part of the Fiscal Year 2022/2023 Adopted Capital Project Budget.

Debt Type	Taxable / Tax-Exempt	Project Type	Description	Amount
CO	Tax-Exempt	Streets	Street Program Supplemental Funds	\$5,000,000
CO	Tax-Exempt	Fleet	Dump Truck	\$185,000
CO	Tax-Exempt	Fleet	Dump Truck	\$205,000
CO	Tax-Exempt	Fleet	Fire Engine	\$985,000
CO	Tax-Exempt	Utility	24" Transmission Line	\$3,075,000
CO	Tax-Exempt	Utility	Cellular End Point Conversion	\$4,855,000
Sub Total				\$14,305,000

The Preliminary Official Statement and Notice of Sale were released for consideration to potential bidders on Thursday, November 3. 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 \$14,270,000 in CO's (i.e. the par amount). In addition, the City expects to receive a net premium on the CO's of approximately \$227,325. The total funds received will be approximately \$14,497,325. After deducting costs associated with the issuance of the CO's the City will receive net proceeds of \$14,305,000 for the CO-funded projects. The final par and premium amounts will be determined based on the winning bid received on November 14.

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 the 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 the 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 August 2022.

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 December 12, 2022.

RECOMMENDATION:

Approve Ordinance No. 3771, authorizing the issuance of "City of North Richland Hills, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2022A"; 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.