

CITY COUNCIL MEMORANDUM

FROM: The Office of the City Manager **DATE:** May 8, 2023

SUBJECT: Consider Ordinance No. 3789, authorizing the issuance of “City of North Richland Hills, Texas, General Obligation Bonds, Series 2023”; specifying the terms and features of such bonds; levying a continuing direct annual ad valorem tax for the payment of such bonds; and resolving other matters incident and related to the issuance, sale, payment and delivery of such 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 2023 (the “GO’s”), including the adoption of Ordinance No. 3789. Sealed bids for the GO’s are to be received on Monday, May 8, 2023.

GENERAL DESCRIPTION:

The proposed GO sale will include \$12,375,000 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	ST2110	Glenview Dr	\$2,000,000
GO	2020 BE	Tax-Exempt	Streets	ST2211	Lariat Trail	\$1,000,000
GO	2020 BE	Tax-Exempt	Streets	ST2401	North Richland Blvd	\$4,420,000
GO	2020 BE	Tax-Exempt	Streets	ST2402	Ruth Rd	\$250,000
GO	2020 BE	Tax-Exempt	Streets	ST2403	Lake Side Cir	\$1,325,000
GO	2020 BE	Tax-Exempt	Streets	ST2404	Chapman Rd	\$3,380,000
Total						\$12,375,000

The Preliminary Official Statement and Notice of Sale were released for consideration to potential bidders on Friday, April 28. 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 \$11,235,000 in GO’s (i.e. the par amount). In addition, the City expects to receive a net premium on the GO’s of approximately \$1,373,862. After deducting costs associated with the issuance of the GO’s the City will receive net proceeds of \$12,375,000, 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 May 8.

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 GO'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 GO'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 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 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 June 7, 2023.

RECOMMENDATION:

Approve Ordinance No. 3789, authorizing the issuance of "City of North Richland Hills, Texas, General Obligation Bonds, Series 2023"; specifying the terms and features of such bonds; levying a continuing direct annual ad valorem tax for the payment of such bonds; and resolving other matters incident and related to the issuance, sale, payment and delivery of such 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.