

MEMORANDUM

TO: Claire Powell, City Manager

FROM: David Erb, Director of Finance

DATE: July 15, 2024

SUBJECT: **Consider and Take Action on an Ordinance of the City Council of the City of Lewisville, Texas, Authorizing the Issuance and Sale of City of Lewisville, Texas, Waterworks and Sewer System Improvement Bonds, Series 2024 in the Aggregate Principal Amount of Not to Exceed \$16,305,000; Providing for the Security for and Payment of Said Bonds; Authorizing the Execution and Delivery of a Paying Agent/Registrar Agreement, an Escrow or Deposit Agreement; Approving the Official Statement; and Enacting Other Provisions Relating Thereto.**

BACKGROUND

Attached for consideration is a parameters ordinance related to the issuance of City of Lewisville, Texas, Waterworks and Sewer System Improvement Bonds, Series 2024. The estimated amount of \$16.305 million will provide funds for constructing, acquiring, and installing improvements, additions, and extensions to the City's waterworks and sewer system and costs associated with the issuance of the bonds.

ANALYSIS

To allow flexibility in setting the sale date for the bonds, Hilltop Securities, the City's financial advisor has recommended the use of a parameters ordinance in issuing the Series 2024 debt. A parameters ordinance allows the City Council to authorize the sale of bond obligations at a future date, as long as certain parameters are met. This parameters ordinance will provide the City's Authorized Officer (Director of Finance), pursuant to Chapters 1371 and 1207 of the Texas Government Code, and the parameters of this ordinance, the authority to approve the amount, the interest rates, the price and term of the bonds authorized hereby and to otherwise take such actions as are necessary and appropriate to effect the sale of the bonds at a time when most practical and economically feasible. The City's Series 2022 and Series 2023 Waterworks and Sewer System Revenue Bonds were sold using a parameters ordinance.

The estimated premium generated on the sale of the Bonds is anticipated to lower the par amount of the bonds. Premium on the bonds is generated when an investor pays more than 100 cents on the dollar for the bonds they are buying. For example, if an investor pays 105 cents on the dollar for a bond, 5 cents is considered a premium. In addition to lowering the principal amount, the premium may be used to cover costs of issuance. Results of the sale will depend on actual market interest rates obtained on the day of pricing.

Proceeds from the bonds will provide funding for planned projects and improvements to the Wastewater Treatment Plant Capacity Improvements, Collection and Distribution System Line Replacement, and other water and sewer infrastructure improvements throughout the city. Please note that these are the projects targeted for construction at this time. Provisions included in the bond ordinance provide flexibility for where bond proceeds can be allocated.

The bonds will be sold via a competitive bid process as advised by the City's financial advisors, Hilltop Securities. Given the City's high credit ratings and investors' familiarity with both the general obligation and revenue bonds, Hilltop believes that a competitive sale will be well received in the market. Bond-rating calls are scheduled for the week of July 15. The City currently maintains a AAA rating from both rating agencies on our GO and Water/Sewer offerings. The City has held the AAA designation on its bond issuances since 2013. These strong ratings should generate strong interest in the bonds, which in return provide the lowest cost of capital to the City.

CITY STAFF'S RECOMMENDATION

That City Council approve the ordinance as set forth in the caption.