

## MEMORANDUM

**TO:** Clair Powell, City Manager

**FROM:** David Erb, Director of Finance

**DATE:** September 9, 2024

**SUBJECT: Results of the Sale of City of Lewisville, Texas, General Obligation Improvement Bonds, Series 2024, and Waterworks and Sewer System Revenue Improvement Bonds, Series 2024.**

### BACKGROUND

On July 15, 2024, City Council approved two parameters' ordinances allowing for the issuance of General Obligation Improvement Bonds, and Water/Sewer System Revenue Improvement Bonds. The parameters ordinance allowed City Council to authorize the future sale of bond obligations as long as certain parameters were met. The ordinance also provided the City's Authorized Officer (Director of Finance) the authority to approve the amount, the interest rates, the price, and term of the bonds and to take the actions necessary to effect the sale of the bonds at a time when most practical and economically feasible. The GO Bond includes authority granted by voters as part of bond elections held in May 2024.

### ANALYSIS

The City moved forward with the sale of the Series 2024 Bonds subsequent to approval of the parameters' ordinances when financial markets were most favorable for a bond issue. Bids on the bonds were received August 20, 2024. The following are results of the bond sale.

All bonds were sold through a competitive bid process. There were five (5) bidders on the GO Bonds. There were six (6) bidders on the Water/Sewer Revenue Bonds. Premium generated on the sale of each of the issues lowered 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 premium. This premium was used to cover costs of issuance and provide proceeds for capital projects.

The low bid on the GO Refunding and Improvement Bonds was from BOK Financial Securities and resulted in a True Interest Cost (TIC) of 3.4115 percent. Term of these bonds is 16 years and become callable after 9.5 years. The final par amount of the bonds was \$23,255,000. These bonds were sold at a premium. The bonds generated a total of \$25.55 million in project proceeds.

Proceeds from the GO Bonds are projected to be used for the projects identified through the recently completed Blue Ribbon process and include funding for the Animal Shelter/Adoption Center expansion (including an amount for public art), McKenzie-Hembry Neighborhood

Rehabilitation, Corporate Drive Supplemental Funding, and land acquisition for a Fire Station #4 Replacement. In addition, the bonds are projected to be used for park and trail development, general parkland and trail acquisition and parks public art. 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 limited only by the individual propositions approved by the voters.

The low bid on the Water/Sewer Revenue Improvement Bonds was from Mesirow and resulted in a TIC of 3.4233 percent. The term of these bonds is 16 years, and like the GO Bonds, are also callable after 9.5 years. The final par amount of the bonds is \$14.94 million. These bonds were also sold at a premium. The bonds generated a total of \$16.305 million in project proceeds.

The new money portion of the issuance of Water/Sewer Revenue Bonds will provide funding for projects and improvements to the Wastewater Treatment Plant, Collection and Distribution System, and other utility infrastructure improvements. 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 table below details the rates from the current and prior bond sales. Although the downgrade of the GO rating from Fitch to AA+ was less than ideal, it did not seem to affect the number of bidders or the interest rates received on the bonds. Historically, the City has benefited from very low rates on debt issuance due to overall strong bond ratings, and we anticipate this trend will continue in the future.

Issuance Year	General Obligation Bonds (New Money)	General Obligation Bonds (Refunding)	Certificates of Obligation (New Money)	Tax Notes (New Money)	Water & Sewer Revenue Bonds (New Money)	Water & Sewer Revenue Bonds (Refunding)
2024	3.412%	---	---	---	3.423%	---
2023	3.578%	3.171% (6 years)	---	---	3.417%	3.168% (6 years)
2022	3.540%	---	---	---	3.305%	---
2021	1.462%	---	1.669%	---	1.455%	0.555% (6 years)
2020	1.460%	0.468% (5 years)	---	---	1.413%	---
2019	2.349%	---	---	---	2.359%	---
2018	3.002%	2.679% (14 years)	---	---	2.967%	---
2017	3.031%	---	---	---	2.851%	2.238% (9 years)
2016	2.355%	1.405% (8 years)	---	1.275%	2.452%	1.506% (8 years)
2015	---	2.866% (17 years)	---	---	2.903%	1.609% (7 years)

Closing on the bonds will take place in the next 30 days at which time the projects will be funded and work can proceed.