

MEMORANDUM

TO: Donna Barron, City Manager

FROM: David Erb, Director of Finance

DATE: March 9, 2020

SUBJECT: **Approval of a Resolution of the City Council of the City of Lewisville, Texas, Authorizing Publication of Notice of Intention to Issue Certificates of Obligation; Approving the Preparation of a Preliminary Official Statement and a Notice of Sale; and Providing for the Effective Date Thereof.**

BACKGROUND

Section 271.049 of the Local Government Code requires issuers of certificates of obligation to publish a Notice of Intention to issue such certificates in a newspaper of general circulation in the City of Lewisville. The notice must be published once a week for two consecutive weeks with the date of the first publication before the 45th day before the date tentatively set for the passage of the ordinance authorizing the issuance of the certificates. The notice must identify the date, time, and place when the Council plans to adopt the ordinance authorizing the issuance of the certificates; the purpose for their issuance; manner in which the certificates will be paid; the current principal of all outstanding debt obligations; the combined principal and interest required to pay all outstanding debt obligations; further identify the maximum amount of the certificates to be issued; the estimated combined principal and interest required to pay the certificates in full; and the estimated interest rate and maximum maturity date of the certificates to be authorized. The Attorney General requires that the City Council approve and authorize the giving of such notice prior to its publication or posting.

ANALYSIS

As part of the Blue-Ribbon committee recommendation, the fleet services facility was recommended to be funded out of General and Utility Fund reserves. During the City Council retreat held in February 2019, Council directed staff to research options for funding the planned fleet building in a timelier manner. Staff discussed multiple strategies with our Financial Advisor, Hilltop Securities, and determined that \$18.0M in joint certificates of obligation and revenue bonds supporting the project could be issued in 2020 without an impact to the I&S tax rate. This item was presented to Council in length during the budget workshop for the FY2019-20 Budget. Council direction coming out of the budget workshop was to proceed with the debt issuance. Additionally, Council gave direction to move funds currently set aside from the General Fund for the fleet building (\$3.45M) into other planned facility projects including the City Hall basement

renovation and renovation of the Annex. The Utility Fund portion (\$450K) could remain in the project fund used to reduce the amount of revenue bonds needed to support the fleet building.

The City Council was provided an update on a new combined fleet/facility building at the 2020 Council retreat. Current cost estimates for the construction of a combined fleet/facilities building are \$20.1M. The portion of the cost of the project supported by certificates of obligation is \$15.075M while the balance is to come from Utility Funds previously allocated to the project in the amount of \$450K and revenue bonds totaling \$4.575M.

The Certificates of Obligation are to be issued in an amount not-to-exceed \$16,000,000 subject to interest rates in the market and interest rate structure at the time of the sale. The certificates will be issued as combination tax and revenue obligations having a maximum maturity of 16 years payable from the levy of a direct and continuing ad valorem tax and from a de minimus pledge of surplus water and sewer revenue. Final Council approval of an ordinance authorizing the issuance of the certificates is scheduled for May 18, 2020.

RECOMMENDATION

It is City staff's recommendation that the City Council approve the resolution and authorize the publication of Notice of Intention to issue City of Lewisville Certificates of Obligation, as set forth in the caption above.