

Office of the City Manager

City of Richland Hills, Texas

## Memorandum

**To:** Honorable Mayor Bill Agan and members of the Richland Hills City Council.  
**From:** Eric Strong, City Manager  
**Date:** February 3rd, 2015  
**Subject:** Issuance of Drainage System Debt

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**Council Action:** Consider approval of Resolution 445-15 authorizing notice of intention to issue Certificates of Obligation.

### **Background Information:**

In 2013 the City of Richland Hills issued \$3,000,000 in bond financing out of the Drainage Utility Fund (DUF) in order to complete the Matthews and Kingsbury Interceptor Projects. The drainage projects were initially planned in 2008/2009. At the time of the planning, it was anticipated that the Matthews Interceptor project would be approximately \$1,500,000 and the Kingsbury project would be slightly less than that. When the Matthews project was bid several years later, the actual project cost came in at approximately \$1,900,000. This was largely due to inflation in construction costs from the time the project was initially developed to the time the project was actually bid.

Now that the Matthews Interceptor Project is substantially complete, we are ready to move on to the Kingsbury Interceptor project. Similar to the Matthews project, over time, the cost of this project has escalated from the time the program was initially developed. We bid out the Kingsbury project and received bids ranging from \$1,729,766 to \$2,661,527.

The balance in the bond proceeds fund is approximately \$875,000, which is approximately \$855,000 short of the required funds to complete the project.

At the last council meeting, staff recommended to Council that we issue an additional \$1,000,000 in debt out of the drainage fund in order to complete this project. Council agreed that issuing the debt was the appropriate course of action. This resolution is the first step in

issuing the debt. Following this resolution, staff will publish the appropriate notifications. The next step for the City Council will occur on the Council Meeting on March 17<sup>th</sup>, in which you will have the opportunity to pass an ordinance authorizing the issuance of the debt. There is sufficient capacity in the current Drainage Fund Revenues to pay for this debt.

As a final note, you will see that the language of the resolution indicates that this debt appears to be issued out of the water/sewer revenues and as a tax supported debt. This is merely a formality, as the actual debt is paid from the Drainage Utility Fund. However, to secure the best rates and keep costs as low as possible, the debt is technically backed by the tax rate and the water and sewer fund. The reality is that the payments will be made from the drainage fund, and the ordinance you approve in March will reflect that.

**Board/Citizen Input:** NA

**Financial Impact:** None at this time – see attached sheet for repayment schedule

**Staff Contacts:**

**Eric Strong, City Manager**

**817-616-3807**

**[estrong@richlandhills.com](mailto:estrong@richlandhills.com)**

**Attachments:** Resolution 445-15 Authorizing notice of intention to Issue C.O.'s  
Preliminary Debt Numbers  
Certificate of Obligation Timetable



paragraph are the duly chosen, qualified and acting officers and members of the City Council as indicated therein; that each of the officers and members of the City Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that the Resolution would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose; that the Meeting was open to the public and public notice of the time, place and purpose of the Meeting as given, all as required by Chapter 551, Government Code.

3. That the Mayor of said City has approved and hereby approves the aforesaid Resolution; that the Mayor and the City Secretary of said City have duly signed said Resolution; and that the Mayor and the City Secretary of said City hereby declare that their signing of this Certificate shall constitute the signing of the attached and following copy of said Resolution for all purposes.

**SIGNED AND SEALED** the 3rd day of February, 2015.

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City Secretary

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Mayor

(SEAL)

RESOLUTION NO. 445-15

RESOLUTION DIRECTING PUBLICATION OF NOTICE OF INTENTION TO  
ISSUE COMBINATION TAX AND WATER AND SEWER SYSTEM  
REVENUE CERTIFICATES OF OBLIGATION

WHEREAS, the City of Richland Hills, Texas (the "City") expects to pay expenditures in connection with the design, planning, acquisition and construction of the projects described in "Exhibit A" to this Resolution prior to the issuance of the Certificates of Obligation hereinafter described; and

WHEREAS, the City Council hereby finds, considers and declares that the reimbursement of the payment by the City of such expenditures will be appropriate and consistent with the lawful objectives of the City and, as such, chooses to declare its intention, in accordance with the provisions of Section 1.150-2 of the U.S. Treasury Regulations, to reimburse itself for such payments at such time as it issues the hereinafter described Certificates of Obligation; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Resolution was considered was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF RICHLAND HILLS, TEXAS:

Section 1. That attached hereto and marked "Exhibit A" is a form of notice, the form and substance of which are hereby passed and approved.

Section 2. That the City Secretary shall cause said notice to be published, in substantially the form attached hereto, in the Fort Worth Star-Telegram, a newspaper of general circulation in the City, for two consecutive weeks, the date of the first publication to be before the thirtieth (30th) day before the day tentatively proposed for authorizing the issuance of the Certificates of Obligation as shown in said notice.

Section 3. That the facilities and improvements to be financed with proceeds from the proposed Certificates of Obligation are to be used for the purposes described in the attached Notice of Intention.

Section 4. That all costs to be reimbursed pursuant to this Resolution will be capital expenditures; the proposed Certificates of Obligation shall be issued within 18 months of the later of (i) the date the expenditures are paid or (ii) the date on which the property, with respect to which such expenditures were made, is placed in service; and the foregoing notwithstanding, the Certificates of Obligation will not be issued pursuant to this Resolution on a date that is more than three years after the date any expenditure which is to be reimbursed is paid.

Section 5. That this Resolution shall be effective immediately upon passage and adoption.

ADOPTED, APPROVED AND EFFECTIVE this February 3, 2015.

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Mayor, City of Richland Hills, Texas

ATTEST:

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City Secretary, City of Richland Hills, Texas

(SEAL)

EXHIBIT A

NOTICE OF INTENTION TO ISSUE  
CERTIFICATES OF OBLIGATION

NOTICE IS HEREBY GIVEN that it is the intention of the City Council of the City of Richland Hills, Texas, to issue one or more series of the interest bearing certificates of obligation of the City to be entitled "City of Richland Hills, Texas Combination Tax and Water and Sewer System Revenue Certificates of Obligation", for the purpose of paying contractual obligations to be incurred by the City, to-wit, the construction of drainage improvements throughout the City; and the payment of fiscal, engineering and legal fees incurred in connection therewith.

The City Council tentatively proposes to authorize the issuance of said series (one or more) of Certificates of Obligation at its regular meeting place in the City Hall at a meeting to commence at 7 o'clock, p.m., on the 17th day of March, 2015. The maximum amount of Certificates of Obligation indebtedness that may be authorized to be sold on said date for such purposes described above is \$1,100,000. The City Council presently proposes to provide for payment of said series (one or more) of Certificates of Obligation from the levy of taxes and from a limited surplus revenue pledge (not to exceed \$1,000) derived from the operation of the City's waterworks and sewer system.

CITY OF RICHLAND HILLS, TEXAS

/s/ Bill Agan  
Mayor

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**SOURCES AND USES OF FUNDS**

City of Richland Hills, Texas  
**\$1,040,000 Certificates Obligation, Series 2015 (100% Drainage Supported)**  
**Assumes Private Placement Interest Rate of 2.25%**  
**- 15 YEAR -**

Dated Date            04/21/2015  
 Delivery Date        04/21/2015

**Sources:**

<b>Bond Proceeds:</b>	
Par Amount	1,040,000.00
<hr/>	
	1,040,000.00
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**Uses:**

<b>Project Fund Deposits:</b>	
Project Fund	1,000,000.00
<b>Delivery Date Expenses:</b>	
Cost of Issuance	35,040.00
<b>Other Uses of Funds:</b>	
Additional Proceeds	4,960.00
<hr/>	
	1,040,000.00
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Note: PRELIMINARY - FOR ILLUSTRATIVE PURPOSES ONLY

**BOND DEBT SERVICE**

City of Richland Hills, Texas  
\$1,040,000 Certificates Obligation, Series 2015 (100% Drainage Supported)  
Assumes Private Placement Interest Rate of 2.25%  
- 15 YEAR -

Period Ending	Principal	Coupon	Interest	Debt Service
09/30/2016	50,000	2.250%	30,810.00	80,810.00
09/30/2017	60,000	2.250%	22,275.00	82,275.00
09/30/2018	60,000	2.250%	20,925.00	80,925.00
09/30/2019	65,000	2.250%	19,575.00	84,575.00
09/30/2020	65,000	2.250%	18,112.50	83,112.50
09/30/2021	65,000	2.250%	16,650.00	81,650.00
09/30/2022	70,000	2.250%	15,187.50	85,187.50
09/30/2023	70,000	2.250%	13,612.50	83,612.50
09/30/2024	70,000	2.250%	12,037.50	82,037.50
09/30/2025	75,000	2.250%	10,462.50	85,462.50
09/30/2026	75,000	2.250%	8,775.00	83,775.00
09/30/2027	75,000	2.250%	7,087.50	82,087.50
09/30/2028	80,000	2.250%	5,400.00	85,400.00
09/30/2029	80,000	2.250%	3,600.00	83,600.00
09/30/2030	80,000	2.250%	1,800.00	81,800.00
	1,040,000		206,310.00	1,246,310.00

Note: PRELIMINARY - FOR ILLUSTRATIVE PURPOSES ONLY

BOND DEBT SERVICE

City of Richland Hills, Texas  
\$1,040,000 Certificates Obligation, Series 2015 (100% Drainage Supported)  
Assumes Private Placement Interest Rate of 2.25%  
- 15 YEAR -

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/15/2016			19,110.00	19,110.00	
08/15/2016	50,000	2.250%	11,700.00	61,700.00	
09/30/2016					80,810.00
02/15/2017			11,137.50	11,137.50	
08/15/2017	60,000	2.250%	11,137.50	71,137.50	
09/30/2017					82,275.00
02/15/2018			10,462.50	10,462.50	
08/15/2018	60,000	2.250%	10,462.50	70,462.50	
09/30/2018					80,925.00
02/15/2019			9,787.50	9,787.50	
08/15/2019	65,000	2.250%	9,787.50	74,787.50	
09/30/2019					84,575.00
02/15/2020			9,056.25	9,056.25	
08/15/2020	65,000	2.250%	9,056.25	74,056.25	
09/30/2020					83,112.50
02/15/2021			8,325.00	8,325.00	
08/15/2021	65,000	2.250%	8,325.00	73,325.00	
09/30/2021					81,650.00
02/15/2022			7,593.75	7,593.75	
08/15/2022	70,000	2.250%	7,593.75	77,593.75	
09/30/2022					85,187.50
02/15/2023			6,806.25	6,806.25	
08/15/2023	70,000	2.250%	6,806.25	76,806.25	
09/30/2023					83,612.50
02/15/2024			6,018.75	6,018.75	
08/15/2024	70,000	2.250%	6,018.75	76,018.75	
09/30/2024					82,037.50
02/15/2025			5,231.25	5,231.25	
08/15/2025	75,000	2.250%	5,231.25	80,231.25	
09/30/2025					85,462.50
02/15/2026			4,387.50	4,387.50	
08/15/2026	75,000	2.250%	4,387.50	79,387.50	
09/30/2026					83,775.00
02/15/2027			3,543.75	3,543.75	
08/15/2027	75,000	2.250%	3,543.75	78,543.75	
09/30/2027					82,087.50
02/15/2028			2,700.00	2,700.00	
08/15/2028	80,000	2.250%	2,700.00	82,700.00	
09/30/2028					85,400.00
02/15/2029			1,800.00	1,800.00	
08/15/2029	80,000	2.250%	1,800.00	81,800.00	
09/30/2029					83,600.00
02/15/2030			900.00	900.00	
08/15/2030	80,000	2.250%	900.00	80,900.00	
09/30/2030					81,800.00
	1,040,000		206,310.00	1,246,310.00	1,246,310.00

Note: PRELIMINARY - FOR ILLUSTRATIVE PURPOSES ONLY

**BOND PRICING**

City of Richland Hills, Texas  
**\$1,040,000 Certificates Obligation, Series 2015 (100% Drainage Supported)**  
 Assumes Private Placement Interest Rate of 2.25%  
 - 15 YEAR -

Bond Component	Maturity Date	Amount	Rate	Yield	Price
<b>Serial Bond:</b>					
	08/15/2016	50,000	2.250%	2.250%	100.000
	08/15/2017	60,000	2.250%	2.250%	100.000
	08/15/2018	60,000	2.250%	2.250%	100.000
	08/15/2019	65,000	2.250%	2.250%	100.000
	08/15/2020	65,000	2.250%	2.250%	100.000
	08/15/2021	65,000	2.250%	2.250%	100.000
	08/15/2022	70,000	2.250%	2.250%	100.000
	08/15/2023	70,000	2.250%	2.250%	100.000
	08/15/2024	70,000	2.250%	2.250%	100.000
	08/15/2025	75,000	2.250%	2.250%	100.000
	08/15/2026	75,000	2.250%	2.250%	100.000
	08/15/2027	75,000	2.250%	2.250%	100.000
	08/15/2028	80,000	2.250%	2.250%	100.000
	08/15/2029	80,000	2.250%	2.250%	100.000
	08/15/2030	80,000	2.250%	2.250%	100.000
		<b>1,040,000</b>			

Dated Date	04/21/2015	
Delivery Date	04/21/2015	
First Coupon	02/15/2016	
Par Amount	1,040,000.00	
Original Issue Discount		
Production	1,040,000.00	100.000000%
Underwriter's Discount		
Purchase Price	1,040,000.00	100.000000%
Accrued Interest		
Net Proceeds	1,040,000.00	

Note: PRELIMINARY - FOR ILLUSTRATIVE PURPOSES ONLY

**BOND SUMMARY STATISTICS**

**City of Richland Hills, Texas**  
**\$1,040,000 Certificates Obligation, Series 2015 (100% Drainage Supported)**  
**Assumes Private Placement Interest Rate of 2.25%**  
**- 15 YEAR -**

Dated Date	04/21/2015
Delivery Date	04/21/2015
First Coupon	02/15/2016
Last Maturity	08/15/2030
Arbitrage Yield	2.249176%
True Interest Cost (TIC)	2.249176%
Net Interest Cost (NIC)	2.250000%
NIC w/Interest only	2.250000%
NIC w/Interest & OID	2.250000%
NIC w/Interest, OID & Und. Discount	2.250000%
All-In TIC	2.691691%
Average Coupon	2.250000%
Average Life (years)	8.817
Duration of Issue (years)	7.882
Par Amount	1,040,000.00
Bond Proceeds	1,040,000.00
Total Interest	206,310.00
Net Interest	206,310.00
Bond Years from Dated Date	9,169,333.33
Bond Years from Delivery Date	9,169,333.33
Total Debt Service	1,246,310.00
Maximum Annual Debt Service	85,462.50
Average Annual Debt Service	81,369.53
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial Bond	1,040,000.00	100.000	2.250%	8.817	810.10
	1,040,000.00			8.817	810.10

	TIC	All-In TIC	Arbitrage Yield
Par Value	1,040,000.00	1,040,000.00	1,040,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		-35,040.00	
- Other Amounts			
Target Value	1,040,000.00	1,004,960.00	1,040,000.00
Target Date	04/21/2015	04/21/2015	04/21/2015
Yield	2.249176%	2.691691%	2.249176%

Note: PRELIMINARY - FOR ILLUSTRATIVE PURPOSES ONLY

# City of Richland Hills, Texas

## Combination Tax & Water & Sewer System Revenue Certificates of Obligation, Series 2015

1/28/2015

**Account#: 0209-009**

### Preliminary Schedule of Events

Feb-15						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

Mar-15						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Apr-15						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Completed By	Day	Event
<b>3-Feb-15</b>	<b>Tuesday</b>	<b>City Council meeting to authorize publication of Notice of Intent</b>
<b>5-Feb-15</b>	<b>Thursday</b>	<b>1st Notice of Intent published</b>
<b>12-Feb-15</b>	<b>Thursday</b>	<b>2nd Notice of Intent published</b>
16-Feb-15	Monday	Distribute proposals to potential purchasers of the Certificates
16-Mar-15	Monday	Receive interest rate proposals from potential purchasers
<b>17-Mar-15</b>	<b>Tuesday</b>	<b>City Council passes Ordinance authorizing issuance of the Certificates</b>
21-Apr-15	Tuesday	Certificate Closing and Delivery of Funds to the City