



# City Council Report

**Date:** March 17, 2025  
**To:** City Council  
**Through:** Chris Brady, City Manager  
Michael Kennington, Deputy City Manager/Chief Financial Officer  
**From:** Mark Hute, Treasurer  
**Subject:** Sale of 2025 Utility Obligations

## Purpose and Recommendation

Authorize the sale of the following utility debt to finance utility systems capital projects.

- Utility Systems Revenue Obligations, Series 2025 (the “Series 2025 Obligations”)  
Principal: not-to-exceed \$310,000,000

## Background

The City operates and maintains water, wastewater, natural gas, and electric utility systems, in addition to solid waste collection and disposal services. The City regularly issues new debt to finance capital spending on its utility systems. Financing long-term utility infrastructure allows the City to meet its capital needs while those customers who benefit from the infrastructure pay for it as it is being used.

## Discussion

The City plans to use the proceeds from the proposed utility obligations to pay for the purchase, design, and/or construction of capital projects through the end of 2025 although, depending on the timing of project spending, some proceeds may be spent later.

The table below shows planned project spending for the Series 2025 Obligations.

### Proposed 2025 Utility Systems Revenue Obligations Proceeds

Utility System	Proposed 2025 Sale
Electric	\$ 14,000,000
Natural Gas	39,000,000
Wastewater	50,000,000
Water	204,000,000
<b>Total</b>	<b>\$ 307,000,000</b>

Attachment A – Project List is a list of projects planned to be funded with the proceeds of the Series 2025 Obligations.

Attachment B – Debt Service Table shows the structure of existing utility debt service from bonds and obligations and new debt service resulting from the Series 2025 Obligations.

The proposed utility obligations meet the City’s legal revenue coverage requirements and other parity tests.

#### Timeframe

The City is scheduled to price the proposed utility obligations the week of April 21 and close the transaction (receive the proceeds) on May 15.

#### **Alternatives**

The Council may choose not to proceed with the sale of the proposed utility debt. The City could:

- cancel new debt-funded projects still in the planning stage, and/or
- utilize reserves to pay cash for projects already in progress.

These alternatives are not recommended as they would reduce City reserves or prevent completion of capital projects that are in various stages of planning and construction.

#### **Fiscal Impact**

Debt service on the proposed utility obligations is included in the City’s utility fund forecast. Utility debt service is paid from revenue collected through utility rates charged by the individual utilities. Debt service from the new issuances is structured so that, when combined with the City’s existing debt, a stable overall debt structure is achieved.

#### **Coordination**

The legal documents for the debt issuance are prepared by Zach Sakas at Greenberg Traurig, the City’s bond counsel.

The City’s financial advisors, Janelle Gold and Zac Lara at Hilltop Securities, prepared many of the schedules and other financial information included in the issuance documents.

The following City departments coordinated on the proposed utility obligations issuance:

- City Attorney
- City Manager

- Energy Resources
- Engineering
- Finance
- Management and Budget
- Water Resources