



Legislation Text

File #: 19-3114, **Version:** 1

Resolution - A Resolution Authorizing the City of Mansfield to Enter a Continuing Disclosure Agreement with the Trinity River Authority of Texas for the Purpose of Providing Certain Annual Financial and Operational Information; and for Timely Notices of Occurrences of Certain Events in Accordance with Regulations set Forth by the United States Securities and Exchange Commission

Approval of the Resolution authorizing the City of Mansfield, Texas, to enter a continuing disclosure agreement with the Trinity River Authority.

Staff recommends the approval of the Resolution.

This agreement warrants that the City will notice Trinity River Authority of any financial event that is reported to the financial markets by the City of Mansfield, Texas.

The City has an agreement with Trinity River Authority to provide sewer service for the City's population. This is an expensive and highly regulated business: treating sewer. Trinity River Authority, a regional service provider of sewer service, has issued bonds over the years to pay for the cost of its physical plant or facilities to provide this specialized service. In return, customers of Trinity River Authority have agreed to pay Trinity River Authority for the service. Accordingly, the City pays for its usage of the system. Payments by the City as well as other customers of Trinity River Authority have been used to pay for the operational costs and debt cost of the Authority. Trinity River Authority's existence and financial existence is dependent upon the users of their system.

The City of Mansfield, Texas also has an existing disclosure agreement with the Trinity River Authority for the purpose of noticing Trinity River Authority of financial events that are considered to be material to the municipal bond market (the "Market"). Currently, the United States Securities and Exchange Commission (the "SEC") regulates the Market with 14 rules. Issuers, like the City and Trinity River Authority are required to comply with these rules. The SEC recently enacted two additional disclosure rules for entities that issue municipal bonds. There were 14 rules, now there are 16 rules. The intent of the rule(s) is to notice the public or those holding bonds of any material event that might affect the holders' opinion of the bonds.

The rules set forth by the SEC:

(a) The City shall notify the public through the Municipal Securities Regulatory Board ("the MSRB") in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten Business Days after the occurrence of the event) of any of the following events that relate to the City and with respect to the Authority's Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;

- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the City;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

NEW RULES:

- (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

The agreement between the City and Trinity River Authority defines when and how the City will notice Trinity River Authority of disclosure events. Since the City contracts with Trinity River Authority for sewer service and Trinity River Authority is financially dependent upon the City of Mansfield, Texas for the repayment of the Authority's debt, Trinity River Authority's compliance with the new regulations is dependent upon the City providing the necessary financial and operational data to Trinity River Authority.

This agreement provides for the assurance that the City will comply with the statutory requirements imposed upon Trinity River Authority and the City of Mansfield, Texas by the SEC. The information that the City has and will continue to provide to the Trinity River Authority is the same information the City provides to the Market regarding the City's outstanding Water & Sewer Bonds. This agreement provides for no additional disclosure requirements than those already imposed upon the City by the SEC. It simply warrants that the City will notice Trinity River Authority of any financial event or financial events that are currently reported by the City of Mansfield, Texas, to the Market.

Regulatory Requirements

Water & Sewer Fund

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