

Mayor and Council,

I am pleased to pass on the following information. All information in Manager's Notes is available to the public and may be shared.

Credit Rating Improvement

As part of the regular process of issuing debt, the City undergoes a credit rating review from the major independent credit rating agencies, S&P and Moody's. We received word from S&P that their independent analysis of our City's financial status has resulted in a rating upgrade. We were previously rated at AA-, the City has now earned a AA Credit rating from S&P. A copy of that rating document is attached. I wish to thank the Mayor and Council for their continued positive financial stewardship of Terrell.

Utility Repair Completion Report

Mayor and Council approved an emergency repair not to exceed \$50,000 in contractor services behind the QT at a recent Council meeting. The Utilities Department was able to bring the project in at a total of \$33,740. This means that all of the cost savings are funds that remain unspent and ready for other needs in our Utility Capital Reserve Fund. The attached materials provide a detailed overview. As those materials show, the additional staff effort cost an estimated \$13,194, regular expenses coming from the Utility Fund Budget.

Upcoming Utility Repair

The Utility Department received a permit on March 27 to conduct work starting on April 7 for the repair of a water leak on westbound US80 just west of the Bridge Street Intersection. There is a City 10 inch cast iron water main in the US80 ROW at that location, which we cannot repair without TXDOT authorization. The repair will be handled by our excellent in house staff team. There will be a lane closure and the repair will occur after hours to minimize impact on businesses. Information will be provided to the impacted area closer to the day of the repair.

RatingsDirect®

Summary:

Terrell, Texas; General Obligation

Primary Credit Analyst:

Jackie Dove, Englewood + 3037214317; jackie.dove@spglobal.com

Secondary Contact:

Adam Steele, Englewood 3037214917; adam.steele@spglobal.com

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Credit Highlights

Outlook

Summary:

Terrell, Texas; General Obligation

Credit Profile		
US\$8.435 mil GO rfdg bnds ser 2025A dtd 03/01/2025 due 02/15/2034		
<i>Long Term Rating</i>	AA/Stable	New
US\$4.25 mil comb tax and wtrwks and swr sys (ltd pledge) rev certs of oblig ser 2025 dtd 03/01/2025 due 08/15/2040		
<i>Long Term Rating</i>	AA/Stable	New
US\$3.615 mil GO rfdg bnds ser 2025B dtd 03/01/2025 due 02/15/2041		
<i>Long Term Rating</i>	AA/Stable	New
Terrell (BAM)		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Upgraded

Credit Highlights

- S&P Global Ratings raised its long-term rating and underlying rating (SPUR) on the City of Terrell, Texas' general obligation (GO) and certificate of obligation (CO) debt outstanding to 'AA' from 'AA-'.
- At the same time, we assigned our 'AA' long-term rating to the city's proposed \$4.3 million series 2025 combination tax and waterworks and sewer system (limited pledge) revenue certificates of obligation, \$8.4 million series 2025A GO refunding bonds, and \$3.6 million series 2025B taxable GO refunding bonds.
- The outlook is stable.
- The upgrade reflects the city's growing and transforming local economy that is incorporated into management's proactive and long-term planning that have contributed to stable finances through rapid growth scenario.
- The rating is based on the application of our "Methodology For Rating U.S. Governments" criteria, published Sept. 9, 2024, on RatingsDirect

Security

Terrell's GO bonds and COs are direct obligations of the city, payable from a combination of the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the city. The city's home rule charter limits the maximum ad valorem tax rate to \$2.50 per \$100 taxable assessed valuation (AV) for all city purposes, and \$1.50 of the \$2.50 maximum tax rate is permitted for GO debt service. The COs are additionally secured by a limited pledge (not to exceed \$1,000) of the net revenues from the operations of the city's waterworks and sewer system. Based on the application of our "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness" criteria (published Nov. 20, 2019), we view the limited-tax GO debt pledge as on par with the city's general creditworthiness. We do not differentiate between the city's limited-tax GO and CO debt because the ad valorem tax is not derived from a measurably narrower property tax base and because there are no limitations on the fungibility of the city's general resources.

Proceeds from the certificates will be used for public safety upgrades, including the purchase of two fire engines and

communication systems. Bond proceeds from the two refunding series will refinance series 2011A and series 20214 COs outstanding.

Credit overview

The rating reflects a growing local economy in the Dallas Metroplex and robust financial management policies and practices that have contributed to stable financial performance, allowing the city to cash-fund capital projects while managing older debt. The rating is offset by below-average incomes and a smaller reserve position both on a percentage basis and nominally.

The city is 30 miles east of Dallas in Kaufman County, which is currently in the early stages of transitioning from a more rural agricultural county on the outskirts of Dallas to a growing exurb as growth expands from the metroplex. Many cities in the county are experiencing strong growth, with Terrell growing over 50% in the past five years. The city conservatively projects another 5,000 new homes to be built in the next five years, which will contribute to further tax base growth. Additionally, the city is actively in conversations to annex additional land as new development happens--so city boundaries are growing consistently. Terrell serves as a regional retail center, and employment opportunities are expanding in and around the city. The city also has an airport and adjoining business park that are expected to spur additional development.

Management is focused on using excess revenues within each year to address capital needs, which in fiscal 2023 resulted in nearly break-even results. The city is expecting a larger but still modest surplus in 2024, estimated to be about \$265,000. In the current fiscal year, sales taxes are trending better than expected, and some expenditures savings could lead to positive budget variance from the break-even budget that was adopted. The 2025 budget includes increased revenues that are supporting salary adjustments and new positions.

The city's multiyear capital plan details additional capital needs, but the city is planning to transition some projects to cash-funded in an effort to help maintain the city's debt profile. According to the capital plan, ongoing capital needs are largely addressing utility improvements and existing debt is mostly self-supported by the utility funds; approximately 38% of the city's debt is self-supporting from the water and sewer fund. Additionally, the city also seeks opportunities to privately place debt with the Texas Water Development Board, which typically provide lower interest rates.

The rating reflects our opinion of the following credit factors:

- The city is located in the Dallas metroplex, and sustained growth is expected in the near term. However, local incomes and economic output as measured by gross county product per capita are below average compared with peers, which we view as a negative credit factor.
- The management team is proactive, with formal policies for reserves, investments, and debt management. The city has also undertaken extensive long-term planning with multiyear financial plans included in the budget document and an annual 10-year capital improvement plan. The city also reports on budget-to-actuals monthly and has comprehensive budgeting practices. The city is taking steps to mitigate cyber security risks.
- The city's reserve position is healthy and in line with management's formal target to maintain 60 days of expenditures. However, reserves are notably lower nominally and on a percentage basis than similarly rated peers'. At fiscal year-end 2023, the city held a general fund balance of \$6 million, equal to 18% of general fund revenues. The city is actively managing its reserve position and looks to spend excess reserves to address capital needs.

Nominally, reserves have increased in the past three fiscal years, but as both the city's budget and economy continue to grow, the percentage basis has declined.

- The city's debt profile is manageable, and pension and other postemployment benefits liabilities are affordable. Terrell privately placed debt totalling \$32.8 million but there are no unusual bank terms or provisions that we believe will pressure the city's liquidity. Most of the debt was placed with the Texas Water Development Board, which offers additional stability since it is a state agency.
- Terrell participates in Texas Municipal Retirement System, providing pension benefits for employees. An actuary determines the state-administered plan's contribution rates annually. For more information, see "Pension Spotlight: Texas," published April 4, 2023.
- For more information on our institutional framework assessment for Texas Cities, see "Institutional Framework Assessment: Texas Local Governments," published Sept. 9, 2024.

Environmental, social, and governance

We evaluated Terrell's environmental, social, and governance factors relative to the economy, financial, and debt factors, and we believe all are neutral considerations in our credit analysis.

Outlook

The stable outlook reflects the city's growing tax base, improving general fund reserves supported by conservative budgeting and fiscal management policies and practices.

Downside scenario

We could lower the rating if Terrell's budgetary performance or general fund reserves deteriorate materially without plan to replenish them.

Upside scenario

We could raise the rating if the city's underlying economic and debt metrics improve materially to levels we consider comparable with those of higher-rated peers.

Table 1

Terrell, Texas--credit summary	
Institutional framework (IF)	1
Individual credit profile (ICP)	2.60
Economy	5.0
Financial performance	2
Reserves and liquidity	1
Management	1.00
Debt and liabilities	3.00

Table 2**Terrell, Texas--key credit metrics**

	Most recent	2023	2022	2021
Economy				
Real GCP per capita % of U.S.	40	40	41	43
County PCPI % of U.S.	77	77	75	79
Market value (\$000s)	2,621,466	2,030,157	1,718,503	1,601,768
Market value per capita (\$)	131,679	101,977	89,965	88,633
Top 10 taxpayers % of taxable value	14.5	14.6	14.6	--
County unemployment rate (%)	4.3	4.1	3.8	4.9
Local median household EBI % of U.S.	84	84	81	--
Local per capita EBI % of U.S.	68	68	69	--
Local population	19,908	19,908	19,102	18,072
Financial performance				
Operating fund revenues (\$000s)	--	33,093	28,752	26,631
Operating fund expenditures (\$000s)	--	31,150	28,559	25,522
Net transfers and other adjustments (\$000s)	--	(1,937)	234	(345)
Operating result (\$000s)	--	6	427	764
Operating result % of revenues	--	--	1.5	2.9
Operating result three-year average %	--	1.5	3.4	2.7
Reserves and liquidity				
Available reserves % of operating revenues	--	18.1	20.8	20.9
Available reserves (\$000s)	--	5,990	5,984	5,556
Debt and liabilities				
Debt service cost % of revenues	--	8.0	8.9	8.4
Net direct debt per capita (\$)	5,950	5,983	3,990	4,446
Net direct debt (\$000s)	118,456	119,103	76,223	80,353
Direct debt 10-year amortization (%)	43	--	--	--
Pension and OPEB cost % of revenues	--	5.0	5.0	5.0
NPLs per capita (\$)	--	750	202	366
Combined NPLs (\$000s)	--	14,931	3,860	6,606

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings Detail (As Of March 28, 2025)

Terrell comb tax & W/S (ltd pledge) rev certs of oblig

<i>Long Term Rating</i>	AA/Stable	Upgraded
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Terrell comb tax & W/S (ltd pledge) rev certs of oblig (taxable)

<i>Long Term Rating</i>	AA/Stable	Upgraded
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Terrell GO rfdg bnds ser 2021 dtd 08/01/2021 due 02/15/2046

<i>Long Term Rating</i>	AA/Stable	Upgraded
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Many issues are enhanced by bond insurance.

Summary: Terrell, Texas; General Obligation

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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Terrell Council Report
Agenda Item Report - AIR-25-010

Council requested a report on the results of the emergency water line, wastewater manhole and wastewater line repair in February 2025 near 315 IH-20 (Behind Rosa's Café and QT Store). Council authorized the City Manager to execute emergency repair with Elite Construction and Mulching, LLC (ELITE). At the time of Authorization (February 11, 2025) the final cost of the repairs was not determined.

The final invoices have been received and copies are attached. The water line repair was \$10,100.00 and the Wastewater / Manhole Repair was \$23,640.00 from ELITE. Total cost from ELITE is \$33,740.00. Those costs DO NOT include staff time and equipment to assessment the initial repair requirements, support of ELITE and final cleanup.

BACKGROUND:

The February repair was the 2nd repair performed in this area in the last 6 months (Sept 2024 thru March 2025). Attached are Work Orders 32218 from October 2024 and 32393 from February 2025. The February 2025 repair was needed due to rainstorm events that increased the volume and velocity of Kings Creek in the vicinity of MH 104, its incoming 15", incoming 18" and outgoing 24" wastewater lines and a 12" waterline that crosses the 18" incoming wastewater line. (See location map attached). The water flow in Kings Creek eroded the ground that support Manhole 104 and caused the manhole to drop ~2 feet that broke the water main and broke the wastewater mains.

ELITE was contacted due to the emergency of needing to get the water and the wastewater infrastructure repaired and operating as soon as possible, while City Staff worked on other work orders and repairs.

The initial Work Order report was prepared on February 2, 2025, repairs were completed and finalized by February 11, 2025

Attachments:

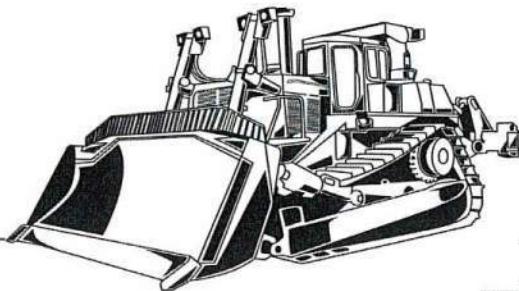
- Location Map
- Executed Contract for Water Repair
- Executed Contract for Wastewater Repair
- Work Orders 32218 and 32393
- Agenda Report Item AIR-25-010
- Pictures

Area of SS and WL b
Janaury 2025

-MH 1

ELITE CONSTRUCTION & MULCHING LLC
LENDOL LOUD
(469)719-5311

11437 CR 123
KAUFMAN, TX 75142



BID/QUOTE	JOB ID #
1027	

TO:

CITY OF TERRELL
C/O XAVIER WILLIAMS

201 E. NASH ST.
TERRELL, TX 75160

DATE **2/11/2025**

DESCRIPTION	ITEM	UNIT PRICE	QTY	LINE AMOUNT
1.. EXCAVATOR/ PER DAY	EQUIPMENT	\$1,500.00	1	\$1,500.00
2. BOBCAT / PER DAY	EQUIPMENT	\$1,000.00	1	\$1,000.00
3. REPLACE 12" WATER MAIN WITH ENCASEMENT: 20'	SERVICE	\$380.00	20	\$7,600.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00

Notes:

EMERGENCY WATER MAIN REPAIR: 317 E I-20***ESTIMATED COST***

TOTAL: **\$10,100.00**

A handwritten signature in black ink, appearing to read "Lendol Loud".

Lendol Loud Date: 2/12/2025

A handwritten signature in blue ink, appearing to read "Mike Sims".

City Manager - Mike Sims Date: 2-13-25

Prepared by: Diana Smith

Please make all checks payable to Elite Construction & Mulching LLC.

Questions or concerns regarding this quote should be directed to the following contacts:

LLOUD@ELITECONSTRUCTIONMULCHING.COM; copying
DSMITH@ELITECONSTRUCTIONMULCHING.COM

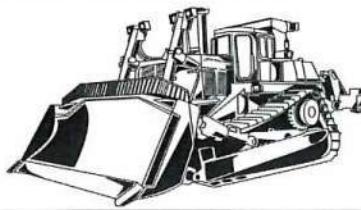
ELITE CONSTRUCTION & MULCHING LLC

LENDOL LOUD

(469)719-5311

11437 CR 123

KAUFMAN, TX 75142



BID/QUOTE	JOB ID #
1026	

TO:

CITY OF TERRELL
C/O XAVIER WILLIAMS201 E. NASH ST.
TERRELL, TX 75160

DATE 2/11/2025

DESCRIPTION	ITEM	UNIT PRICE	QTY	LINE AMOUNT
1. MOBILIZATION	HAULING	\$2,100.00	1	\$2,100.00
2. ROCK- 20 CY TRAILER LOADED W/ 21 TONS OF ROCK EA LOAD	MATERIALS	\$840.00	1	\$840.00
3. DIRT - 20 CY TRAILER LOADED WITH 21 TONS OF DIRT EA LOAD	MATERIALS	\$550.00	3	\$1,650.00
4. EXCAVATOR/ PER DAY	EQUIPMENT	\$1,500.00	2	\$3,000.00
5. BOBCAT / PER DAY	EQUIPMENT	\$1,000.00	2	\$2,000.00
6. CONCRETE / STEEL	MATERIALS			\$3,300.00
7. REPLACE 21" SEWER MAIN & REBUILD MANHOLD INLET: 15'	SERVICE	\$650.00	15	\$9,750.00
8. RAISE & SEAL MANHOLD RING & COVER	SERVICE	\$500.00	2	\$1,000.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00

Notes:

EMERGENCY SEWER MAIN REPAIR: 317 E I-20***ESTIMATED COST***

TOTAL: \$23,640.00

A handwritten signature in black ink, appearing to read "Lendol Loud".

Lendol Loud Date: 2/12/2025

A handwritten signature in blue ink, appearing to read "Mike Sims".

City Manager - Mike Sims Date: 2-13-25

Prepared by: Diana Smith

Please make all checks payable to Elite Construction & Mulching LLC.

Questions or concerns regarding this quote should be directed to the following contacts:

Lendol Loud (469)719-5311 or

LLOUD@ELITECONSTRUCTIONMULCHING.COM; copying
DSMITH@ELITECONSTRUCTIONMULCHING.COM

Work Order #: 32393

Work Order Date: 02/02/25

Work Type:

Priority:

Department: Sewer

Customer Name: DICK BOYD

Phone:

Email:

Street Number: 307

Street Name: E INTERSTATE 20

Request/Comments: SHUT DOWN & EXCUVATE SEWER MANHOLE

Problem Code: Sewer Manhole Overflow/Pump

Field Comments:

Add Comments: CONTRACTOR IS FINISHED WITH THE WORK ON SEWER AND WATER.
ELITE CONSTRUCTION

Date Closed: 02/11/2025

Arrival:

Departure:

Customer Notified: 01: Spoke directly to customer

do not use: 0

do not use:

do not use: 0

do not use:

do not use: 0

do not use: 0

do not use: 0

do not use:

do not use:

do not use:

do not use:: 0

do not use:

do not use:

**Old Street Name (Search
only):**

do not use status: Closed

Status: Complete - WO Closed

Employee Cost: \$0.00

Equipment Cost: \$0.00

Material Cost: \$0.00

Inventory Cost: \$0.00

Purchase Order Cost: \$0.00

Coordinates

Latitude

Longitude

Total Cost: \$0.00

Signature:

Date:

Work Order #: 32218

Work Order Date: 10/19/24

Work Type:

Priority:

Department: Water

Customer Name: AFTER HOURS - CITY STAFF

Phone:

Email:

Street Number: 317

Street Name: E INTERSTATE 20

Request/Comments: 12" WATER LINE REPAIR BEHIND QT

Problem Code: Water Main Break/Leak

Field Comments:

Add Comments: CITY CREW WENT OUT AND REPAIRED WATER LEAK AND SEWER.

Date Closed: 10/19/2024

Arrival: 1:00AM

Departure: 1:00AM

Customer Notified: 01: Spoke directly to customer

do not use: 0

do not use:

do not use: 0

do not use:

do not use: 0

do not use: 0

do not use: 0

do not use:

do not use:

do not use:

do not use:: 0

do not use:

do not use:

Old Street Name (Search only):

do not use status: Closed

Status: Complete - WO Closed

Employees

Name	Hours	Cost
O.T. - Chante Hedgeman	24.00	\$810.00
O.T. - Henry Rattler	24.00	\$810.00
O.T. - Terrace Hawkins	24.00	\$900.00
O.T. - Walter Moss	24.00	\$810.00
O.T. - Xavier Williams	24.00	\$804.00
O.T. CHARLESTON MILLER	24.00	\$0.00
O.T. KINARD BRUMSEY	24.00	\$0.00
O.T. LIONEL LEWIS	24.00	\$0.00
O.T. MARIO MARTINEZ	24.00	\$0.00

O.T. Marqueece Jackson	24.00	\$0.00
O.T. MICHEAL ARMSTRONG	24.00	\$0.00
O.T. RICHARD JACKSON JR.	24.00	\$0.00
O.T. STEPHEN BLACKWOOD	24.00	\$0.00
O.T. VONSHAE JACKSON	24.00	\$0.00
OT - Shawn Reitenbach	24.00	\$900.00

Employee Cost: \$5,034.00

Equipment

Name	Amount	Cost
22207 2 C.Y.BOBCAT	24.0	\$528.00
25017 Large Excavator	24.0	\$4,800.00
26015 - Toro 455D	24.0	\$600.00
52022: DUMP TRUCK	24.0	\$1,032.00
52050 BIG SHAWN	24.0	\$480.00
52051XWILLIAMS	24.0	\$0.00
62054 VONSHAE J.	24.0	\$720.00
62055 Richard Jackson	24.0	\$0.00

Equipment Cost: \$8,160.00

Material Cost: \$0.00

Inventory Cost: \$0.00

Purchase Order Cost: \$0.00

Coordinates

Latitude

Longitude

Total Cost: \$13,194.00

Signature:

Date:

AGENDA ITEM REPORT



To: City Council Discussion and Contract Approval
Subject: Discuss and Consider Emergency Utility Repair - Water and Wastewater 300 IH 20.
Meeting: Regular City Council - Feb 11 2025
Department: Utilities
Staff Contact: DJ Brouwer, Director of Utilities

AGENDA ITEM:

Emergency Utility Repair - Water + Wastewater Line around 300 IH-20 (MH 104)

BACKGROUND INFORMATION:

The rain storm in late January 2025 caused channel erosion that moved and disturbed the concrete blocking support for the water and sewer line repairs Terrell Utility Dept did in October of 2024. (Behind/east of Rosa's).(MH 104)

Both the water and sanitary sewer line are leaking. We are reporting an SSO to TCEQ and we've called in Elite Construction + Mulching LLC to make the emergency sanitary sewer and water line repairs while we were repairing the water line.

We were able to isolate the water line without turning off service to anyone which is the only plus in the situation.

DESIRED OUTCOME:

Repair and stabilize water and wastewater lines to correct the current situation and protect the new repair from future erosion related damage.

PROCUREMENT METHODOLOGY:

Emergency Services - needed to obtain Contractor services immediately to minimize Sanitary Sewer Overflows into Kings Creek and repair both water and wastewater lines in the same vicinity.

SOURCE AND AMOUNT OF FUNDING:

The water repair is from the UCR fund PayGo for Water.

The wastewater repair is from the UCR fund PayGo for Wastewater.

STAFF RECOMMENDED ACTION:

Authorize City Manager to execute emergency services contract with Elite Construction + Mulching LLC for water and wastewater repairs at and near MH '04 behind QT near 300 IH-20. Amount not to exceed 150,000 combined water and wastewater line repair.

ATTACHMENTS:

2025 0129 Water+ SS Break - 18 WW + 12 W 300 Block IH-20

Area of SS and WL b
Janaury 2025

-MH 1









Feb 7, 2025 at 8:11:18 AM
315 F20 SERVICE RD.
Terrell, TX 75160
United States



Feb 7, 2025 at 8:11:25 AM
315 1.20 SERVICE RD
Terrell TX 75160
United States



Feb 7, 2025 at 8:14:02 AM
315 1/20 SERVICE RD
Terrell TX 75160
United States



Feb 7, 2025 at 8:14:09 AM
315120 SERVICE RD
Terrell TX 75160
United States

