

Mayor and Council Communication

DATE: 02/14/23

M&C FILE NUMBER: M&C 23-0105

LOG NAME: 13WATER SEWER COMMERCIAL PAPER PROGRAM INCREASE

SUBJECT

(ALL) Adopt Ordinance Authorizing the Extension and Increase of the Callable Commercial Paper Program for the Water Department with a Final Issuance Date No Later than February 14, 2043 and in an Aggregate Outstanding Principal Amount Not to Exceed \$225,000,000.00 at Any One Time, Authorizing Conforming Amendments of Existing Dealer, Paying Agent/Registrar and Calculation Agent Agreements for the Program, and Ordaining Other Matters Related Thereto; Adopt Amended and Restated Thirty-Second Supplemental Ordinance Authorizing Issuance and Sale of City of Fort Worth, Texas Water and Sewer System Revenue Refunding Bonds in an Amount Up to \$225,000,000.00 to Allow for Refinancing of Outstanding Commercial Paper if Needed; Adopt Appropriation Ordinances; and Amend the Fiscal Year 2023 Adopted Budget

RECOMMENDATION:

It is recommended that City Council:

1. Adopt the attached ordinance authorizing an extended and expanded callable commercial paper program for the Water Department with a final issuance date no later than February 14, 2043, in an aggregate outstanding principal amount not to exceed \$225,000,000.00 at any one time, with an annual cost of \$20,500.00; authorizing conforming amendments to the existing Dealer, Paying Agent/Registrar and Calculation Agent Agreements for the program, authorizing certain officers and employees to act on behalf of the City in the selling and delivery of the obligations, and resolving other matters incident and related to the issuance, sale, security and delivery of the obligations;
 2. Adopt the attached Amended and Restated Thirty-Second Supplemental Ordinance authorizing issuance and sale of City of Fort Worth, Texas Water and Sewer System Revenue Refunding Bonds in an aggregate principal amount not to exceed \$225,000,000.00 to allow outstanding commercial paper to be refunded/refinanced for a longer term if needed;
 3. Adopt the attached appropriation ordinance, increasing appropriations in the Water and Sewer Callable Commercial Paper Fund in the amount of \$75,000,000.00, for a total appropriation of \$225,000,000.00, to support contracting authority under the callable commercial paper program;
 4. Adopt the attached appropriation ordinance, increasing estimated receipts and appropriations in the Water and Sewer Fund (Operating) in the amount of \$130,000.00, from future revenues, to pay for closing and delivery fees associated with the program; and
 5. Amend the Fiscal Year 2023 Adopted Budget.
-

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions to extend and increase the liquidity facility for the City's Water and Sewer System, which supports appropriations to initiate capital projects between annual revenue-bond sales.

Since 2017, the City's Water and Sewer Utility System has employed a financing tool known as the Callable Commercial Paper (CCP) Program with J.P. Morgan Securities LLC engaged as dealer (M&C C-28496, Ordinance 23028-12-2017). The CCP program has provided appropriation authority for capital projects identified within the Water and Sewer Capital Improvement Program. The Water Department has used this authority in conjunction with Council-adopted reimbursement resolutions to facilitate the initial award of capital improvement contracts that will ultimately be financed by longer term bonds issued after the project has commenced. During the initial period of construction, interim payments are paid out of available resources. When System revenue bonds are then issued, proceeds are used to repay the System's interim payment sources, fund the projects, and replenish the CCP authority.

Although the CCP ordinance provides authority to have up to \$225 million in commercial paper outstanding at any one time in order to support appropriations and expedite project delivery between bond issues, no commercial paper has actually been issued under the program to date. If CCP were to be issued, in accordance with state law the paper would have a maturity date that is no greater than 270 days from its date of issuance. Were the City to actually issue CCP and have it approaching maturity, the City would have several options

One such option would be to issue long-term refunding debt utilizing the authority provided under the amended and restated thirty-second supplemental ordinance, which is attached second recommendation. Having the ability to issue long-term refunding bonds also enhances the credit rating for the CCP program. Updated supplemental ordinances are anticipated for adoption each calendar year to extend the delegated standby authority to issue refunding bonds, if needed, throughout the life of the program.

As is required by Chapter 1371 of the Texas Government Code, the CCP program must be investment grade rated. The utility System's strong financial performance and strong market access resulted in the CCP program being awarded S&P's highest short-term rating of A-1+.

Section 4. Enterprise Funds
Page 19

Fund / Department Budget Category	FY2023 Adopted Budget	Authority	Budget Adjustment	Revised FY2023 Budget
Water and Sewer Fund				
Revenues				
License and Permits	\$ 1,420,659			\$ 1,420,659
Charges for Services	\$ 474,620,055	This M&C	\$ 130,000	\$ 474,750,055
Use of Money and Property	\$ 1,646,386			\$ 1,646,386
Other Revenue	\$ 11,515,000			\$ 11,515,000
Sale of Capital Asset	\$ 80,000			\$ 80,000
Salvage Sales	\$ 25,000			\$ 25,000
Transfer from Water Impact	\$ 14,669,420			\$ 14,669,420
Transfer from Sewer Impact	\$ 8,311,270			\$ 8,311,270
Transfer from Environ Protection Fund	\$ 495,475			\$ 495,475
Transfer from Stormwater Utility Fund	\$ 1,268,956			\$ 1,268,956
Transfer from Solid Waste Fund	\$ 1,399,239			\$ 1,399,239
Total Revenues	\$ 515,451,460		\$ 130,000	\$ 515,581,460
Expenditures				
Water	\$ 196,654,144	This M&C	\$ 65,000	\$ 196,719,144
Reclaimed Water	\$ 119,164			\$ 119,164
Wastewater	\$ 109,159,558	This M&C	\$ 65,000	\$ 109,224,558
Transfer to Capital Fund	\$ 120,000			\$ 120,000
Transfer to Water Capital Fund	\$ 2,999,000			\$ 2,999,000
Transfer to General Fund for Public Art	\$ 480,712			\$ 480,712
Transfer to General Fund for Energy Savings Prog	\$ 27,116			\$ 27,116
Transfer to Dev Services for Positions	\$ 1,060,221			\$ 1,060,221
Transfer to Financial Management Services for Purchasing Positions	\$ 244,394			\$ 244,394
Transfer to Water and Sewer Capital Fund	\$ 74,102,103			\$ 74,102,103
Payment in Lieu of Taxes	\$ 5,791,939			\$ 5,791,939
Street Rental	\$ 24,038,181			\$ 24,038,181
Transfer to Water Debt Funds	\$ 100,472,611			\$ 100,472,611
Transfer to IT Refresh Capital	\$ 182,317			\$ 182,317
Total Expenditures	\$ 515,451,460		\$ 130,000	\$ 515,581,460

A Form 1295 is not required because: This contract will be with a publicly-traded business entity or a wholly-owned subsidiary of a publicly-traded business entity: JP Morgan Chase, US Bankcorp, Hilltop Holdings

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that funds are currently available in the net position of the Water & Sewer Fund. Upon approval of the above recommendations and adoption of the attached appropriation ordinances, funds will be available in the Water & Sewer Fund and the W&S Commercial Paper Fund for the W&S Commercial Paper project. Prior to any expenditure being incurred, the Water Department has the responsibility to validate the availability of funds.

Submitted for City Manager's Office by: Reginald Zeno 8517

Originating Business Unit Head: Reginald Zeno 8517

Additional Information Contact: Anthony Rousseau 8338