

# Mayor and Council Communication

DATE: 02/14/23

M&C FILE NUMBER: M&C 23-0100

LOG NAME: 13CASH DEFEASANCE 2013C CERTIFICATES OF OBLIGATION

**SUBJECT**

(ALL) Adopt Resolution Authorizing Cash Defeasance of Combination Tax & Revenue Certificates of Obligation, Series 2013C to Achieve Projected Net Present Value Savings in the Estimated Amount of \$876,988.00 or 9.58 Percent; Adopt Appropriation Ordinance; and Amend the Fiscal Year 2023 Adopted Budget

**RECOMMENDATION:**

It is recommended that the City Council:

1. Adopt the attached resolution authorizing cash defeasance of City of Fort Worth, Texas Combination Tax and Revenue Certificates of Obligation, Series 2013C, including principal, accrued interest, and transaction costs, to achieve projected net present value savings in the estimated amount of \$876,988.00 or 9.58 percent;
2. Adopt the attached ordinance increasing estimated receipts and appropriations in the General Debt Service Fund in the amount of \$228,042.00, from available unreserved fund balance, toward the total defeasance cost, with such amount subject to reduction to conform to final figures at the time of defeasance; and
3. Amend the Fiscal Year 2023 Adopted Budget.

**DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to take actions associated with defeasance of outstanding general debt service obligations in order to achieve savings.

Each year, the Financial Management Services Department, in conjunction with the City's financial advisors, PFM Financial Advisors LLC, and Tijerina Galvan Lawrence LLC, evaluate the City's financial position and its debt portfolio to identify opportunities to refund (refinance) and/or defease outstanding debt obligations to achieve net savings and/or free up capacity for future debt-funded projects. This strategy supports the City's initiative of being good stewards of taxpayers' money.

The attached resolution authorizes the recommended cash defeasance further described below:

**City of Fort Worth, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2013C**

These obligations were issued for an initial principal amount of \$19,270,000.00 for the purpose of acquiring a maintenance facility as part of a lease purchase agreement.

This debt is callable on or after March 1, 2023, at a price of par plus accrued interest to the redemption date. The cash defeasance would be for the approximate amount of \$9,176,761.00, which represents \$9,155,000.00 of remaining principal of the bonds maturing March 1, 2025 through March 1, 2034, plus accrued interest and transaction costs.

Defeasance of the identified maturities will achieve projected net present value savings in the estimated amount of \$876,988.00 or 9.58 percent. As a result of the cash defeasance, the general debt service fund will have one remaining maturity outstanding for the Series 2013C obligations due March 1, 2024.

Existing appropriations coupled with a modest use of fund balance available above the reserve requirement within the General Debt Service Fund will be used to defease callable debt. Adoption of this M&C will appropriate \$228,042.00 from use of fund balance for this defeasance.

If approved, defeasance of the identified maturities would occur on March 22, 2023.

Funding is available for appropriation in the available fund balance of the General Debt Service Fund.

The action in this M&C will amend the Fiscal Year 2023 Adopted Budget as approved in connection with Ordinance 25773-09-2022, Section 3. Debt Service Funds, as listed on page 12.

| Fund / Department<br>Budget Category | FY2023 Adopted<br>Budget | Authority Budget Adjustment | Revised FY2023<br>Budget |
|--------------------------------------|--------------------------|-----------------------------|--------------------------|
| General Debt Service                 |                          |                             |                          |
| Revenues                             |                          |                             |                          |
| Property Tax                         | \$ 138,508,506.00        |                             | \$ 138,508,506.00        |
| Use of Money and Property            | \$ 3,450,000.00          |                             | \$ 3,450,000.00          |
| Transfer from CCPD                   | \$ 2,655,560.00          |                             | \$ 2,655,560.00          |

|   |                          |             |                                     |
|---|--------------------------|-------------|-------------------------------------|
| Transfer from TIRZ#14 Trinity Lakes             | \$ 1,324,950.00          |             | \$ 1,324,950.00                     |
| Use of Fund Balance                             | \$ -                     | This M&C \$ | 228,042.00 \$ 228,042.00            |
| <b>Total Revenues</b>                           | <b>\$ 145,939,016.00</b> | <b>\$</b>   | <b>228,042.00 \$ 146,167,058.00</b> |
| <b>Expenditures</b>                             |                          |             |                                     |
| Financial Management Services (Debt Obligation) | \$ 145,939,016.00        | This M&C \$ | 228,042.00 \$ 146,167,058.00        |
| <b>Total Expenditures</b>                       | <b>\$ 145,939,016.00</b> | <b>\$</b>   | <b>228,042.00 \$ 146,167,058.00</b> |

NOTE ON 2013Cs - In spring of 2022, the City Council authorized an issuance of taxable refunding bonds to advance refund certain obligations to achieve savings (M&C 22-0266). (Federal law now precludes advance refunding of outstanding debt with tax exempt obligations.) The 2013Cs were identified as one of the series of obligations intended to be refunded. Due to the rapidly rising interest rates at that time, issuance of the taxable bonds no longer made sound financial sense as the closing date neared; therefore no 2022 taxable refunding bonds were issued.

NOTE ON APPROPRIATIONS - The attached appropriation ordinance reflects the maximum additional appropriation amount for this defeasance. The structure accommodates variables in costs that are associated with the transaction date being a month away. To the extent numbers at the time of defeasance are less than those reflected in the ordinance, the available appropriation amount will be reduced as needed to reflect final figures to ensure appropriations do not exceed actuals.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon adoption of the attached resolution and appropriation ordinance, funds for principal, accrued interest, and transaction costs will be available in the General Debt Service Fund, as appropriated, to legally defease the above referenced obligations.

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

**Originating Business Unit Head:** Reginald Zeno 8517

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