

Mayor and Council Communication

DATE: 08/27/24

M&C FILE NUMBER: M&C 24-0710

LOG NAME: 13TWDB SERIES 2024B WATER AND SEWER REVENUE BONDS

SUBJECT

(ALL) Adopt Forty-Third Supplemental Ordinance Authorizing Issuance of City of Fort Worth Texas Water and Sewer System Revenue Bonds, Series 2024B, in the Aggregate Principal Amount of \$59,000,000.00 and Approving Sale of the Bonds to the Texas Water Development Board, and Adopt Appropriation Ordinances

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached forty-third supplemental water and sewer system revenue bond ordinance authorizing the issuance of City of Fort Worth, Texas Water and Sewer System Revenue Bonds, Series 2024B, in the aggregate principal amount of \$59,000,000.00, and approving sale of the bonds to the Texas Water Development Board;
 2. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Water and Sewer Bond 2024B Fund in the amount up to \$59,000,000.00, with approximately \$57,000,000.00 being used for the Village Creek Primary Clarifiers Improvement project (City Project No. 103295), and up to \$2,000,000.00 being used to pay a portion of the costs of issuance with any excess cost of issuance funds remaining after closing being allocated to the Village Creek Project or transferred to the debt service fund and with all such amounts subject to reduction to conform to final figures reflected in bond closing documents;
 3. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Water and Sewer Fund, from available net position, in the amount of \$200,000.00 to pay the remainder of the costs of issuance, with all such amounts subject to reduction to conform to final figures reflected in bond closing documents; and
 4. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Water & Sewer Debt Service Reserve Fund up to the amount of \$1,500,000.00, from available bond sale proceeds, to fund the required reserve and delegating to the City Manager authority to transfer such funds to the Water & Sewer Debt Service Fund if needed to make principal and/or interest payments on the Water and Sewer System Revenue Bonds, Series 2024B, with such amount subject to reduction to conform to final figures reflected in bond closing documents.
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DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to approve the issuance and sale of revenue bonds to the Texas Water Development Board (TWDB) to provide funding for the Village Creek Primary Clarifiers Improvement project (City Project No. 103295); to appropriate proceeds to fund the project, pay a portion of the costs of issuance, and provide a required reserve; and to take actions to appropriate operating funds for the balance of the costs of issuance.

The City's Village Creek Water Reclamation Facility's small diameter primary clarifiers were constructed between 1956 and 1976 and are past their useful life. These clarifiers are inefficient and difficult to maintain and operate. The City intends to finance the replacement of twelve 80-foot primary clarifiers with three 190-foot clarifiers. The new clarifiers will be larger and more efficient than the existing clarifiers and increase the rated capacity. This will help the City to maintain discharge water quality.

The planned project comes under the auspices of TWDB's Clean Water State Revolving Fund, which provides low-cost financial assistance for eligible projects. The subsidized interest rates offered by the program are less than traditional debt-financing costs. The estimated borrowing cost for this debt issuance is 2.42 percent.

In 1991, the City adopted a Master Ordinance establishing a Water & Sewer System Revenue Financing Program for the Water Department. Each time the City issues debt for the Water & Sewer System, a supplemental ordinance must be adopted which contains details specific to the debt being issued. This issuance would be the forty-third supplemental ordinance since the Master Ordinance was adopted. The Department tentatively plans a September 19, 2024 closing date for the funds.

Recommendation 2 appropriates sale proceeds to the project and a portion of the costs of issuance (which includes a TWDB loan origination fee). Recommendation 3 appropriates available net position in the Water system operating fund to pay the remainder of the costs of issuance, with such amount subject to reduction to conform to actual expenses.

In this instance, TWDB is requiring that a reserve fund be provided and funded (out of bond proceeds) to ensure that, in the unlikely event current system revenues are not available to support a scheduled debt service payment, monies from the reserve can be used to make such a payment. (If the City had to use the reserve fund to make a debt service payment, the City would be required under the terms of the bond ordinance to replenish the reserve from other Water system funds.)

Recommendation 4 approves an appropriation ordinance for the required reserve amount and provides delegated authority to the City Manager (or his designee) to move the funds to the appropriate debt service fund in the unlikely event that they are needed to support a debt service appropriation and pay the interest and/or principal on these bonds. This authority will also allow the City Manager or designee to move the reserve

fund amounts to the debt service fund at the end of the repayment period, when it will be utilized toward the final payments on the debt.

Note on Appropriations - The attached appropriation ordinances reflect the maximum appropriation amount for bond proceeds and corresponding required City funds. Their structure accommodates variables associated with sale of debt such as the uncertainty as to final calculations for issuance costs and required reserve amount. To the extent numbers at closing are less than those reflected in the ordinances, the available appropriation amounts will be reduced as needed to reflect final figures based on the closing documents to ensure appropriations do not exceed actuals.

This debt issuance is part of the Water & Sewer five-year Capital Improvement Program.

A Form 1295 is not required because: This contract will be with a governmental entity, state agency or public institution of higher education: Tx Water Dev Bd

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations and adoption of the appropriation ordinances this will provide the necessary budget approval to record the sale of the debt and the associated expenses, contribution to the reserve fund and appropriations to capital projects. Prior to any expenditure being incurred, the Water Department has the responsibility to validate the availability of funds.

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Expedited