

# Mayor and Council Communication

**DATE:** 09/22/20

**M&C FILE NUMBER:** M&C 20-0727

**LOG NAME:** 13SERIES 2020 STORMWATER REVENUE REFUNDING BOND SALE

## **SUBJECT**

(ALL) Adopt Ordinance Authorizing Issuance and Sale of City of Fort Worth, Texas Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2020, in an Aggregate Principal Amount Not to Exceed \$110,365,000.00, Establishing Parameters with Respect to Sale of the Bonds, Delegating to Designated City Officials Authority to Effect Sale of the Bonds, Authorizing Escrow and Other Related Agreements, Enacting Other Provisions Relating to the Subject, Declaring an Immediate Effective Date, and Adopt Appropriation Ordinances

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## **RECOMMENDATION:**

It is recommended that the City Council:

1. Adopt the attached ordinance (i) authorizing the issuance and sale of City of Fort Worth, Texas Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2020, in an aggregate principal amount not to exceed \$110,365,000.00, (ii) approving the sale of the bonds subject to certain parameters being met, (iii) delegating to designated City officials authority to effect the sale of the bonds (iv) authorizing escrow agreement related to retirement of the refunded obligations and other instruments related to the issuance of the bonds, (v) providing for the establishment of rates and collection of revenues sufficient to pay the principal and interest on said bonds, (vi) ordaining other matters related to issuance and sale of the bonds, and (vii) declaring an immediate effective date;
  2. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in fiscal year 2021 in the Stormwater Revenue Refunding and Improvement Bonds 2020 Fund the amount of \$54,000,000.00 for the purpose of funding capital improvements and paying the costs of issuance, subject to the sale of the bonds and receipt of proceeds, with such amount subject to reduction to conform to final figures reflected in bond closing documents and with any excess cost of issuance funds remaining after closing being transferred to the debt service fund;
  3. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in fiscal year 2021 in the Stormwater Debt Service Fund in the amount of \$57,000,000.00, subject to the sale of the bonds and receipt of proceeds, for the purpose of funding the required escrow to refund existing debt; and
  4. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in fiscal year 2021 in the Stormwater Utility Fund in the amount of \$550,000.00, subject to the sale of the bonds and receipt of proceeds, for the purpose of paying the costs of issuance for the refunding portion of the bonds with any excess cost of issuance funds remaining after closing being transferred to the debt service fund.
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## **DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to take actions associated with revenue-based financing of infrastructure for the City's Stormwater System with the bonds being structured with a premium which will increase the total estimated proceeds to \$111,550,000.00 and will exceed the bond principal amount of \$110,365,000.00. The actions include authorizing bonds for system improvements and to refinance existing Stormwater debt obligations to achieve a net savings and appropriating proceeds of the bond sale.

The proposed debt transaction includes \$54,000,000.00 in new money to fund capital projects in alignment with the Stormwater Department's Capital Improvement Plan which includes \$1,000,000.00 to cover the cost of debt issuances.

City staff and the City's co-financial advisors, Hilltop Securities and Estrada Hinojosa, regularly monitor the City's outstanding bonds for opportunities to refinance at lower interest rates. Based on current market conditions for bonds that are eligible to be refinanced under current tax law, we are recommending that the Mayor and Council refund the callable portion of the Series 2011 Bonds, with a par amount outstanding of \$55,330,000.00. The Series 2011 Bonds were structured with an Optional Call Provision, which allows the City to refund/refinance the existing bonds by purchasing the outstanding bonds at a pre-determined price, using dollars obtained from the issue of new bonds. The Optional Call Provision for the Series 2011 bonds is any date on or after February 15, 2021.

This refunding will offer an estimated present value savings of approximately \$7.81 million, or 14.12 percent of the refunded principal amount. The actual savings amount will not be determined until the time bids are received. However, the ordinance provides that the refunding debt shall not be sold unless the sale will result in net present value savings of at least 3.5 percent of the par amount being refunded.

Staff is recommending that these bonds be sold through a competitive bid sale with the City Manager or the Chief Financial Officer being authorized to approve the terms of the sale so long as it comes within the parameters set forth in the Council-adopted ordinance, including a maximum maturity date no later than February 15, 2045. Rating agency calls for Fitch and Standard & Poor's will be conducted prior to the sale of the bonds. Ratings are anticipated to be received the week of October 6, 2020. Bids for the sale of the bonds are scheduled to be submitted on October 20, 2020. Subsequent to accepting the best bid and awarding the sale of the bonds, the City will seek approval of the debt transactions from the Texas Attorney General with an estimated closing date of November 17, 2020.

The attached appropriation ordinances reflect the maximum appropriation amount for bond proceeds for each of the identified purposes. Because

sale of the bonds will not occur until after the end of the current fiscal year, these ordinances are supplementing the Fiscal Year 2020-2021 budget anticipated to be adopted by Council on September 22, 2020. The ordinances' structure accommodates variables associated with sale of debt under delegated authority such as the uncertain final interest rate to be achieved and the possibility of a premium or discount being associated with the sale of the bonds. To the extent numbers at closing are less than those reflected in each of the ordinances, the available appropriation amount will be reduced as needed to reflect final figures based on the closing documents to ensure appropriations do not exceed actuals. Similarly, to the extent there are any remaining proceeds after paying cost of issuance expense, those funds are to be moved to the Stormwater Debt Service Fund.

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

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**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon adoption of the actions provided within this Mayor and Council Communication, the sale of the Drainage Utility System Revenue Refunding and Improvement Bonds, Series 2020 will proceed as necessary to provide funding in the Stormwater Revenue Refunding and Improvement Bonds 2020 Fund for the related Stormwater projects. Further, upon adoption of the attached supplemental appropriation ordinances, and the adoption of the Fiscal Year 2020-2021 budget by the City Council, funds will be available in the Fiscal Year 2021 Budget of the identified funds. Prior to any expenditures being incurred, the Transportation & Public Works Department has the responsibility to validate the availability of funds.

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