

# Mayor and Council Communication

**DATE:** 02/18/20

**M&C FILE NUMBER:** M&C 20-0079

**LOG NAME:** 13SERIES 2020 CWSRF WATER & SEWER REVENUE BONDS

## **SUBJECT**

Adopt Thirty-Fifth Supplemental Ordinance Authorizing Issuance of City of Fort Worth Texas Water and Sewer System Revenue Bonds, Series 2020, in the Aggregate Principal Amount of \$62,725,000.00 and Approving Sale of the Bonds to the Texas Water Development Board, and Adopt Appropriation Ordinances (ALL COUNCIL DISTRICTS)

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## **RECOMMENDATION:**

It is recommended that the City Council:

1. Adopt the attached ordinance authorizing the issuance of City of Fort Worth, Texas Water and Sewer System Revenue Bonds, Series 2020, in the aggregate principal amount of \$62,725,000.00, 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 2020 Fund up to the amount of \$61,112,042.00, with up to \$60,000,000.00 being used for the Village Creek Water Reclamation Facility Biosolids Management and Beneficial Reuse Project, and up to \$1,112,042.00 being used to pay a portion of the costs of issuance with any excess cost of issuance funds remaining after closing being 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 ordinance increasing estimated receipts and appropriations in the Water and Sewer Operating Fund, from available net position, (i) in the amount of \$147,944.00 to pay the remainder of the costs of issuance, and (ii) in the amount of \$177,043.00, for a transfer to debt service to make the FY2020 interest payments on Water and Sewer System Revenue Bonds, Series 2020, with all such amounts subject to reduction to conform to final figures reflected in bond closing documents;
  4. Adopt the attached ordinance increasing estimated receipts and appropriations in the Water & Sewer Debt Service Reserve Fund up to the amount of \$1,712,098.00, 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 2020, with such amount subject to reduction to conform to final figures reflected in bond closing documents; and
  5. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Water and Sewer Debt Service Fund in the amount of \$177,043.00, from transferred funds, to pay for the August 2020 Interest Payment on these bonds, with such amount subject to reduction to conform to final figure 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 Water Reclamation Facility Biosolids Management and Beneficial Reuse Project; 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 and the initial interest payment on the bonds.

The Water Department will design and construct a facility for biosolids management and beneficial reuse at the Village Creek Water Reclamation Facility. Benefits include the capability of producing durable granules that can be used in fertilizers and soil conditioners with positive revenue potential, a reduction in trucking costs due to a lighter weight end product, and an anticipated reduction of odors and odor complaints as compared to the current process. The City Council authorized the execution of a contract for design-build-operate-maintain services with Synagro of Texas-CDR, Inc. on December 10, 2019 (M&C 19-0381).

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 0.98 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 thirty-fifth supplemental ordinance since the Master Ordinance was adopted. The Department tentatively plans a March 31st 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 and to make a transfer for the initial interest payment on the bonds, which will be due later this fiscal year.

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.

While staff has traditionally brought back an M&C to appropriate funds after the sale has occurred, the current approach has been used in recent years in an effort to make more efficient use of City Council time by authorizing all of the financial activities associated with these bonds at one time.

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 under delegated authority 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. Because the current City Council adopted budget ordinance delegates authority to make budgeted transfers, separate explicit approval of the transfers is not required.

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

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**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that this debt issuance is part of the Water & Sewer five-year Capital Improvement Program. Funding for the annual debt service payments will be available from the current operating budget, as appropriated, in the Water and Sewer Debt Service Fund. Adoption of the appropriation ordinances 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.

**Submitted for City Manager's Office by:** Kevin Gunn 2015

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