

Mayor and Council Communication

DATE: 04/07/20

M&C FILE NUMBER: M&C 20-0214

LOG NAME: 132020 TAX NOTES

SUBJECT

Adopt Ordinance Authorizing Issuance of Tax Notes in an Aggregate Principal Amount Not to Exceed \$18,550,000.00, Approving Sale of the Notes, Establishing Parameters with Respect to Sale of the Notes, Delegating to Designated City Officials Authority to Effect Sale of the Notes by Competitive Bid or Negotiated Sale, Expressing Official Intent for City Reimburse Itself for Certain Eligible Expenditures, Enacting Other Provisions Related to the Subject, and Declaring an Immediate Effective Date; and Adopt Appropriation Ordinance (ALL COUNCIL DISTRICTS)

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached ordinance authorizing the issuance of 2020 Tax Notes in an aggregate principal amount not to exceed \$18,550,000.00; expressing official intent for the City to reimburse itself for expenditures made within the preceding 60 days for the listed projects; authorizing execution of all related documents; and approving the sale of the notes by competitive bid or negotiated sale as determined most advantageous based on current market conditions and subject to meeting certain parameters, as set forth in the ordinance; providing for levy, assessment and collection of a property tax sufficient to pay the interest on and principal of the notes if other revenues are not otherwise available and appropriated for those payments; and ordaining related matters; and
2. Adopt the attached ordinance increasing estimated receipts and appropriations in the 2020 Tax Note Project Fund in the amount of \$18,850,000.00, for the purpose of paying (i) contractual obligations incurred or to be incurred for the construction of identified public works and the purchase of materials, supplies, equipment, machinery, buildings, lands, and rights-of-way, and (ii) costs of issuance of the notes, with appropriations subject to the sale of tax notes and receipt of proceeds and all identified amounts being subject to reduction to conform to final figures reflected in the note-closing documents.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions associated with the issuance and sale of Series 2020 Tax Notes and appropriation of proceeds for the purpose of paying (i) costs related to certain capital projects, and (ii) costs of issuance of the notes.

Proceeds from the sale of the tax notes will be used to pay for purchase fire equipment, construction improvements related to the Botanic Gardens, and land acquisition on Angle Avenue (City Project No. 101583), and to pay the cost of issuance. Schedule of costs listed below:

Project Description	Amount
Fire Apparatus Replacement	\$11,600,000.00
Botanic Gardens Improvement Project	\$4,300,000.00
Angle Avenue Land Acquisition	\$2,650,000.00
Cost of Issuance	\$300,000.00
Total	\$18,850,000.00

The Equipment Note Program for the City's Fire Department was established on February 9, 1999, through the adoption of Ordinance No. 13701. Under the program, on an annual recurring basis, tax notes are sold on the open market under a competitive process and proceeds are used to finance the equipment replacement program for fire equipment and apparatus. In conjunction with the Fleet Management Division of the Property Management Department, the Fire Department manages a fleet rotation plan that annually identifies vehicles and equipment that have reached their useful lives and are too old or costly to continue to utilize or maintain for public safety operations. A portion of the proceeds from sale of the notes will be used to acquire equipment replacements scheduled for Fiscal Year 2020.

Additional proceeds will be used to pay for a portion of the costs associated with technology infrastructure and other improvements at the City-

owned Botanic Gardens. The bulk of the remaining proceeds will be expended for part of the costs related to the acquisition of land on Angle Avenue for the Northwest Patrol Division and Auto Pound, along with additional land that may be programmed for other City purposes as needed. Finally a small portion of the proceeds will be used to pay the costs of issuance.

The attached note ordinance also contains language that complies with federal requirements regarding the City's ability to reimburse itself out of debt proceeds incurred in the 60 days immediately preceding the authorization for the debt. That language is included because the Information Technology Solutions (IT) Capital provided interim funding of \$350,000.00 so that the technology improvements at the Fort Worth Botanic Gardens could be started to maintain project schedules. Tax Note proceeds from the above-noted \$4.3 million for the Botanic Garden project will be used to reimburse IT Capital for the funding it advanced.

Due to current market conditions, public issuers are struggling to price favorably in the competitive market due to a lack of liquidity with investors. In an effort to mitigate this downside risk, the ordinance provides delegated authority to the City Manager and Chief Financial Officer, individually, to effect the sale of notes. This includes authority to seek not only competitive bids for the sale of the Notes authorized, but also a negotiated sale conducted as either a public or private offering negotiated through a purchase agreement with Underwriters. Staff is recommending that these Notes be sold with the City Manager or the Chief Financial Officer having authority to approve the terms of the sale so long as those terms come within the parameters set forth in the Council-adopted ordinance. Key parameters include that the Notes must be rated in one of the four highest generic rating categories (BBB or higher); the delegated authority expires on December 31, 2020; the maximum maturity is March 1, 2027; and the maximum net effective interest rate is 4.00%.

The Notes will be priced and sold as soon as practicable based on market conditions and volatility, subject to the hard deadline of December 31 for the delegated authority. Subsequent to awarding the sale of the Notes, the City will seek approval of the debt transactions from the Texas Attorney General with an estimated closing date approximately one month after the award of sale.

The attached appropriation ordinance reflects the maximum appropriation amount for Note proceeds. Its 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 Notes. To the extent numbers at closing are less than those reflected in the ordinance, 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 general debt service fund.

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 ordinances, the sale of the 2020 Tax Notes will occur as required under the parameters set forth therein, that funds will be available in the Tax Note 2020 Fund, and that funds will be available in the General Debt Service Fund to repay the debt when due and payable.

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