

Mayor and Council Communication

DATE: 08/12/25

M&C FILE NUMBER: M&C 25-0665

LOG NAME: 13DEBT SERVICE FUNDS BUDGET AMEND

SUBJECT

(ALL) Adopt Appropriation Ordinances to Increase Appropriations in the Water Priority Lien Debt Service Fund and the General Debt Service Fund for Additional Current-Year Debt-Related Payments and Amend the Fiscal Year 2025 Adopted Budget

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the "Financial Management Services (Debt Obligation)" portion of the Water Priority Lien Debt Service Fund in the amount of \$8,777,915.00, from the use of available net position, for the purpose of supporting additional debt service payments for 1) principal in the amount of \$4,360,000.00, and 2) interest in the amount of \$4,417,915.00;
 2. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the "Financial Management Services (Debt Obligation)" portion of the Water Priority Lien Debt Service Fund in the amount of \$4,000,000.00, from the use of net position, for the purpose of supporting arbitrage rebate payments;
 3. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the "Financial Management Services (Debt Obligation)" portion of the General Debt Service Fund in the amount of \$3,000,000.00, from the use of net position, for the purpose of supporting arbitrage rebate payments; and
 4. Amend the Fiscal Year 2025 Adopted Budget.
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DISCUSSION:

The purpose of this Mayor & Council Communication (M&C) is to authorize use of available net position (fund balance) in the Water Priority Lien and General Debt Service Funds to support additional debt service and arbitrage rebate payments due in Fiscal Year (FY) 2025.

After the adoption of the FY2025 budget, the City of Fort Worth issued additional Water and Sewer System Revenue Bonds, including Series 2024B CWSRF (Village Creek) and Series 2024C SWIFT (Eagle Mountain), resulting in higher-than-budgeted principal and interest obligations due in the current fiscal year.

In addition, updated arbitrage compliance calculations also identified increased rebate liabilities on several outstanding bond series for both the Water and General debt portfolios. These additional payments are required to maintain compliance with federal tax regulations and preserve the tax-exempt status of the bonds.

This M&C seeks to increase the budgeted appropriations in the Water Priority Lien Debt Service Fund and in the General Debt Service Fund to ensure sufficient budget is available to make all required debt-related payments, including debt service and compliance-related obligations, in Fiscal Year 2025.

Funding is available for appropriation from the net position of the Water Priority Lien Debt Service Fund and the General Debt Service Fund.

With respect to the additional Water debt service payments, these dollars represent interest income that was not pledged to or encumbered by any particular issuance. Earlier this year Council authorized similar use of net position to pay Water debt service and reduced transfers that Water would otherwise have made from operating revenues toward such costs. (M&C 25-0418) That prior action did not take into account the debt service attributable to the in-year issuances. This M&C and the first ordinance appropriate additional available fund balance for those payments.

With regard to the arbitrage payments, any time the proceeds of a tax-exempt debt issuance generate interest earnings at a rate that exceeds the rate payable on the bonds, that extra earned interest or arbitrage must be remitted to the United States. With recent interest rate changes, a number of issuances in both the Water and General debt portfolios experienced arbitrage and the net position associated with those earnings is owed to the federal government. Adoption of the second and third ordinances appropriates that net position for those payments.

The balance of the Water Priority Lien Debt Service net position is \$77,334,064.99, and after these appropriations the balance will be \$64,556,149.99. The balance of the General Fund Debt Service Fund is \$96,759,740.07, and after the appropriation the balance will be \$93,759,740.07.

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 funds are currently available from the net position of the Water Priority Debt Service Fund and the General

Debt Service Fund and upon approval of the above recommendations and adoption of the attached appropriation ordinances, funds will be available in the Water Priority Debt Service Fund and in the General Debt Service Fund. Prior to an expenditure being incurred, the Financial Management Services Department has the responsibility of verifying the availability of funds.

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