

# Mayor and Council Communication

**DATE:** 08/23/22

**M&C FILE NUMBER:** M&C 22-0607

**LOG NAME:** 13GO EXTENDABLE COMMERCIAL PAPER PROGRAM

## **SUBJECT**

(ALL) Adopt Ordinance Authorizing an Extendable Commercial Paper Program with Loop Capital in an Aggregate Outstanding Principal Amount Not to Exceed \$300,000,000.00 at Any One Time, Authorizing Execution of Dealer, Paying Agent/Registrar, and Other Agreements for the Program and Ordaining Other Matters Related Thereto; Adopt Ordinance Authorizing Issuance and Sale of City of Fort Worth, Texas General Purpose Refunding Bonds in an Amount Up to \$300,000,000.00 to Allow for Refinancing of Outstanding Commercial Paper; and Adopt Appropriation Ordinance

---

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Adopt the attached ordinance authorizing a 20-year extendable commercial paper program with Loop Capital Markets LLC in an aggregate outstanding principal amount not to exceed \$300,000,000.00 at any one time and with an annual cost of \$22,000.00, as a liquidity and appropriation facility for the implementation of City general obligation debt projects, including the 2022 Bond Program; authorizing execution of Dealer, Paying Agent/Registrar, and other Agreements for the program; authorizing certain officers and employees to act on behalf of the City in the selling and delivery of the obligations; and resolving other matters incident and related to the issuance, sale, security and delivery of the obligations;
2. Adopt the attached ordinance authorizing issuance and sale of City of Fort Worth, Texas General Purpose Refunding Bonds in an aggregate principal amount not to exceed \$300,000,000.00 to allow outstanding commercial paper to be refunded/refinanced for a longer term if needed; and
3. Adopt the attached ordinance, increasing appropriations in the General Debt Service Fund in the amount of \$300,000.00, from transferred interest, for the purpose of paying costs of issuance related to the extendable commercial paper program, with such amount subject to reduction to conform to final figures reflected in the closing documents.

---

## **DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to take actions to establish a cost-effective liquidity program to assist with the award of contracts for the City of Fort Worth's (City) general obligation debt capital projects, including the 2022 Bond Program, to enable an efficient, cost-effective and timely implementation of capital improvements while facilitating the City's practice of issuing bonds in arrears.

Prior to 2014, the City issued bonds in advance of beginning its capital projects for a bond program. While such approach provided ready liquidity, it resulted in the City paying interest for a substantial period of time before bond projects were completed.

In an effort to reduce total interest costs of bond programs and be better stewards of public funds, beginning in 2014 the City began issuing its bonds in arrears. Once the voters approved a bond proposition, the City Council would adopt a resolution expressing its intent to cash-advance project costs and reimburse itself when bonds were issued toward the end of a project's implementation.

To make such a model functional, the City previously awarded and initially paid contracts for bond programs using available pooled cash as the source of funds. While such approach can be workable for a smaller scale bond program, the 2022 program authorized \$560 million across its five propositions, and pooled cash alone is insufficient to 'float' such a large program. Additionally, the intermittent market disruptions that have taken place throughout the COVID-19 Pandemic show the need for an additional facility to backstop awards made against available pooled cash.

City staff and our financial consultants are recommending the authorization of an Extendable Commercial Paper (ECP) program, offered through Loop Capital Markets LLC (Loop) which provides a source of appropriation authority at a low cost to the City.

The City plans to use this program as appropriation authority in conjunction with Council-adopted reimbursement resolutions to facilitate the initial award of capital improvement contracts that will ultimately be financed by longer term bonds issued after the projects have commenced. Staff does not anticipate actually issuing commercial paper but instead plans to use the appropriation authority the ECP provides to support execution of large-dollar contracts with the smaller interim progress payments anticipated to be paid out of current revenues and pooled cash. When general purpose bonds are issued each year, proceeds will be used to reimburse the source of the interim payments.

The ECP program offers considerable benefits, including \$300,000,000.00 of appropriation authority at a relatively low annual cost. The ECP may be issued without the need for bank liquidity support and is structured in a manner that upon initial issuance, the ECP will have a maturity date not to exceed 270 days, including any extensions. Under this structure, if the City were to issue commercial paper and its maturity date were approaching, the City would have several options at the stated maturity date: a) to replace the ECP with new ECP notes similarly structured or b) to issue long-term debt. The extendable feature would be used in the instance that the dealer cannot successfully remarket the ECP on a stated maturity date. If that happens, the ECP notes will begin to accrue interest at a penalty rate until the extended maturity date. At the extended maturity date, the City may attempt another remarketing of the ECP or issue long-term debt to refund the ECP notes. ECP notes may be issued from time to time in an aggregate principal amount outstanding at any one time not to exceed \$300,000,000.00. The current intent is to utilize the ECP

program as appropriation authority only and not to actually issue any commercial paper.

City staff and consultants will forward the program documents to S&P Global Ratings in order to establish an investment grade rating, as is required by Chapter 1371, Government Code, the statutory authority for establishing the ECP program. S&P Global Ratings uses a mapping system to assign a short term rating to the program, based upon the long-term rating of the City.

In conjunction with the execution of the commercial paper program, the M&C package includes an ordinance authorizing the sale of general purpose refunding bonds up to the \$300,000,000.00 authorized under the ECP program. In the unlikely event ECP were issued, this ordinance would allow the City to refund the issued paper with general purpose refunding bonds, if needed. Because such refunding authority is based on time-limited delegated authority, the ordinance would require annual re-adoption.

The attached appropriation ordinance utilizes a portion of the City's interest-payment revenues, which were previously deposited into the Debt Service Fund, to pay the costs of setting up this program, including charges of the City's financial advisors and outside bond attorneys. Because the ECP program involves setting up a structure and framework but no actual issuance is anticipated, there are no debt proceeds to pay such "costs of issuance," which is the standard practice when the City actually issues debt. Also, given the differences between this program framework and a standard bond issuance, modified services agreements with the financial advisors and bond attorneys may be required and are authorized by the ECP ordinance. The transferred interest in question is not pledged or attributable to any of the City's outstanding debt obligations.

---

**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that funds are currently available in fund balance within the General Debt Service Fund and upon approval of the above recommendations and adoption of the attached appropriation ordinance, funds will be available in the 2022 Bond Program Fund and 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.

**Submitted for City Manager's Office by:** Reginald Zeno 8517

**Originating Business Unit Head:** Reginald Zeno 8517

**Additional Information Contact:** Anthony Rousseau 8338

Expedited