

Mayor and Council Communication

DATE: 03/26/24

M&C FILE NUMBER: M&C 24-0232

LOG NAME: 13CASH DEFEASANCE 2012 CO AND 2013 GEN PURP BONDS

SUBJECT

(ALL) Adopt Resolution Authorizing Cash Defeasance of Combination Tax & Revenue Certificates of Obligation, Series 2012 and General Purpose Refunding and Improvement Bonds, Series 2013 to Achieve Savings; Adopt Appropriation Ordinance; and Amend the Fiscal Year 2024 Adopted Budget

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached resolution authorizing cash defeasance of City of Fort Worth, Texas Combination Tax and Revenue Certificates of Obligation, Series 2012 and General Purpose Refunding and Improvement Bonds, Series 2013, including principal, accrued interest, and transaction costs, to achieve projected net present value savings in the estimated amount of \$339,105.65 or 1.37 percent;
2. Adopt the attached ordinance adjusting estimated receipts and appropriations in the General Debt Service Fund in the total amount of \$12,559,902.00, by increasing appropriations by \$7,740,271.00 from available fund balance, and by reallocating \$4,819,631.00 previously appropriated as contribution to fund balance to the debt accounts, for the purpose of funding defeasance of outstanding general debt service obligations, with such amount subject to reduction to conform to final figures at the time of defeasance; and
3. Amend the Fiscal Year 2024 Adopted Budget.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions associated with defeasance of outstanding general debt service obligations in order to achieve savings.

Each year, the Financial Management Services Department, in conjunction with the City's financial advisors, PFM Financial Advisors LLC, and Tijerina Galvan Lawrence LLC, evaluate the City's financial position and its debt portfolio to identify opportunities to refund (refinance) and/or defease outstanding debt obligations to achieve net savings and/or free up capacity for future debt-funded projects. This strategy supports the City's initiative of being good stewards of taxpayers' money.

The attached resolution authorizes the recommended cash defeasance further described below:

City of Fort Worth, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2012 and General Purpose Refunding and Improvement Bonds, Series 2013

Series 2012 was issued for an initial principal amount of \$85,790,000.00 for the purpose of designing, constructing, and equipping a police/fire facility; purchasing fire equipment; constructing streets; constructing water, wastewater, and stormwater improvements; purchasing traffic and public safety signals; public art; and constructing a public safety telecommunications tower. Series 2012 was callable on or after March 1, 2022, at a price of par plus accrued interest to the redemption date.

Series 2013 was issued for an initial principal amount of \$37,130,000.00 for the purpose of constructing street and stormwater improvements and refinancing a portion of the City's debt for debt service savings. Series 2013 was callable on or after March 1, 2023, at a price of par plus accrued interest to the redemption date.

The cash defeasance would be for the approximate amount of \$24,750,000.00, which represents \$20,230,000.00 of remaining principal of the Series 2012 Certificates maturing March 1, 2026 through March 1, 2028 and March 1, 2031 through March 1, 2032; \$4,520,000.00 of remaining principal of the Series 2013 Bonds maturing March 1, 2026 through March 1, 2033; and accrued interest and transaction costs.

Defeasance of the identified maturities will achieve projected net present value savings in the estimated amount of \$339,105.65 or 1.37 percent. As a result of the cash defeasance, the general debt service fund will have four remaining maturities for the Series 2012 Certificates due March 1, 2025, March 1, 2029, March 1, 2030, and March 2031, and one remaining maturity outstanding for the Series 2013 Bonds due March 1, 2025.

Adoption of this M&C will adjust appropriations in the total amount of \$12,559,902.00, which includes \$7,740,271.00 from use of fund balance and \$4,819,631.00 reallocated from previously appropriated contribution to fund balance. Funding is available for appropriation in the available fund balance of the General Debt Service Fund above required reserve amounts. This new appropriation will be coupled with existing available appropriations in the Debt Service Fund to defease callable debt. If approved, defeasance of the identified maturities would occur on April 24, 2024.

The action in this M&C will amend the Fiscal Year 2024 Adopted Budget as approved in connection with Ordinance 26453-09-2023, Section 3. Debt Service Funds, as listed on page 12.

NOTE ON APPROPRIATIONS - The attached appropriation ordinance reflects the maximum additional appropriation amount for this defeasance. The structure accommodates variables in costs that are associated with the transaction date being a month away. To the extent numbers at the time of defeasance are less than those reflected in the ordinance, the available appropriation amount will be reduced as needed to reflect final figures to ensure appropriations do not exceed actuals.

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 resolution and appropriation ordinance, funds for principal, accrued interest, and transaction costs will be available in the General Debt Service Fund, as appropriated, to legally defease the above referenced obligations.

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Expedited