

# Mayor and Council Communication

**DATE:** 02/14/23

**M&C FILE NUMBER:** M&C 23-0101

**LOG NAME:** 13NOTICE OF INTENTION - SERIES 2023 CERTIFICATES OF OBLIGATION

## **SUBJECT**

(ALL) Adopt Ordinance Directing Publication of Notice of Intention to Issue Combination Tax and Revenue Certificates of Obligation in an Amount Not to Exceed \$94,000,000.00 for Improvements to the Fort Worth Convention Center and City Hall

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## **RECOMMENDATION:**

It is recommended that the City Council adopt the attached ordinance, which directs publication of notice of the City's intention to issue Combination Tax and Revenue Certificates of Obligation, Series 2023, in an amount not to exceed \$94,000,000.00 for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with the (i) construction, improvement and equipment of City Hall, including related street and sidewalk improvements, (ii) construction, improvement and equipment of the Fort Worth Convention Center, including related street and sidewalk improvements, and (iii) payment of fiscal, engineering and legal fees incurred; approves the form of notice; directs notice to be published in accordance with state law; and expresses official intent for the City to reimburse itself from proceeds of the debt sale, if debt is issued, for project-related expenditures incurred prior to issuance.

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## **DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to take preliminary actions in preparation for the authorization and issuance of Certificates of Obligation (C.O.s) for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with the (i) construction, improvement and equipment of City Hall, including related street and sidewalk improvements, (ii) construction, improvement and equipment of the Fort Worth Convention Center, including related street and sidewalk improvements, and (iii) payment of fiscal, engineering and legal fees incurred.

Under state law the City Council has the authority to issue C.O.s without explicit prior voter approval, provided that notice must be published and the public provided an opportunity to petition for an election to be held. In addition, the City has established financial policies governing the issuance of C.O.s that limit their use to finance public improvements in special circumstances and only after determining the City's ability to assume additional debt. An example of special circumstances is a situation, such as the one posed here, where it would be more economical to issue C.O.s rather than revenue bonds.

The projects qualify for C.O. financing under both state law and City policy.

The City anticipates the debt service on the portion of the C.O.s associated with the Phase I Convention Center project will be self-supporting and entirely repaid from culture and tourism revenues. Debt service on the remaining portion of the C.O.s – used to fund City Hall improvements at the former Pier One building – would be paid from Interest & Sinking (I&S) taxes as the debt is being issued for renovating, improving, or equipping existing buildings or facilities. Staff is recommending issuance of combination tax and revenue C.O.s with the City's taxing authority and a limited pledge of surplus water and sewer revenues (not to exceed \$1,000.00). Making a limited pledge of surplus water and sewer revenues meets state law provisions that require identification of a revenue source when using revenue as a potential source of repayment. Pledging the City's tax authority will allow the debt financing to achieve a more favorable interest rate.

Upon City Council approval, the City Manager shall publish the initial Notice of Intention on February 15 or 16, 2023 and will post the notice on the City's website at the same time. The second Notice of Intention will be published on the same day of the week following the first notice.

An ordinance to authorize issuance and delegate authority for the sale of the C.O.s is scheduled to be brought back for Council consideration on April 11, 2023. The C.O.s are intended to be sold on a competitive basis with closing and delivery of the C.O. funds anticipated to occur in the late spring/early summer timeframe.

In addition to setting the form of notice and directing its publication, adoption of the attached ordinance would also serve as the City Council's adoption of a formal statement of intent to reimburse preliminary costs for the project out of the issuance from the certificates. This aspect of the ordinance does not obligate the City to sell C.O.s, but preserves the ability for the City to reimburse itself from tax-exempt debt proceeds if it does. This mechanism allows projects to continue forward utilizing other funds until debt proceeds are available. Any expenses incurred against an initial funding source would be repaid out of debt proceeds following issuance, sale, and receipt of proceeds.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

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## **FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that approval of this recommendation will have no material effect on City funds.

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Expedited