

Mayor and Council Communication

DATE: 04/12/22

M&C FILE NUMBER: M&C 22-0266

LOG NAME: 13TAXABLE SERIES 2022 GENERAL PURPOSE REFUNDING BONDS

SUBJECT

(ALL) Adopt Attached Ordinance Authorizing Issuance and Sale of City of Fort Worth, Texas General Purpose Refunding Bonds, Taxable Series 2022, in an Aggregate Principal Amount Not to Exceed \$39,770,000.00; Establishing Parameters with Respect to Sale of the Bonds; Delegating Authority to Effect Sale of the Bonds by Competitive Bid or Negotiated Sale; Authorizing Escrow and Other Related Agreements; and Enacting Related Provisions; and Adopt Attached Appropriation Ordinance, and Amend the Fiscal Year 2022 Adopted Budget

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached ordinance (i) authorizing the issuance of City of Fort Worth, Texas General Purpose Refunding Bonds, Taxable Series 2022, in an aggregate principal amount not to exceed \$39,770,000.00, for the purpose of refunding identified outstanding debt and paying the cost of issuance for the bonds, (ii) delegating to designated City officials authority to effect sale of the bonds - subject to certain parameters as set forth in the ordinance - by competitive bid or negotiated sale as determined most advantageous based on current market conditions; (iii) authorizing execution of escrow agreement related to retirement of the refunded obligations and other instruments related to the issuance of the bonds; (iv) providing for levy, assessment, and collection of a property tax sufficient to pay the interest on and principal of the bonds if other revenues are not otherwise available and appropriated for those payments; and (v) ordaining other matters related to issuance and sale of the bonds;
 2. Adopt the attached ordinance increasing estimated receipts and appropriations in the General Debt Service Fund in the amount of \$39,770,000.00, subject to the sale of bonds and receipt of proceeds, for the purpose of funding the required escrow to refund existing debt and paying the costs of issuance, with such amount subject to reduction to conform to final figures reflected in bond closing documents; and
 3. Amend the Fiscal Year 2022 Adopted Budget.
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DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to approve the issuance and sale of taxable Series 2022 General Purpose Refunding Bonds and to appropriate the proceeds. This action will allow refinancing and restructuring of existing debt obligations, including the Series 2013A Certificates of Obligation (the Series 2013A CO's), Series 2013C Certificates of Obligation (the Series 2013C CO's), and the Series 2013C General Purpose Bonds (the Series 2013 GO's), to achieve debt service savings.

It is the City's practice to achieve positive debt service savings through refinancing when the opportunity presents itself. Staff and the City's Co-Financial Advisors, PFM Financial Advisors LLC and Tijerina Galvan Lawrence LLC, are recommending that the Mayor and Council refund the callable portions of the Series 2013A CO's, Series 2013C CO's, and Series 2013 GO's with a combined par amount outstanding of \$36,775,000.00. The actual savings amount will not be determined until the time bids are received. However, in accordance with the City's Financial Management Policy Statements, the ordinance provides that the refunding debt shall not be sold unless the sale will result in net present value savings of at least 3.50% of the par amount being refunded. Currently, the refunding is projected to provide 8.22% net present value savings, or \$3,024,571.00.

Due to current market conditions, public issuers are struggling to price favorably in the competitive market. 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 the bonds. This includes authority to seek not only competitive bids for the sale of the bonds 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 bonds 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: Bonds must be rated in one of the four highest generic rating categories (BBB or higher); the maximum maturity is March 1, 2042; maximum true interest cost of 5.00%; and maximum net effective interest rate, calculated per chapter 1204 of the Government Code, is 15.0%. Rating agency calls with Fitch, Moody's, and Kroll will be conducted prior to the sale of the bonds. Bids for the sale of the bonds are scheduled to be submitted on or about May 17, 2022. Subsequent to accepting the best bid and awarding the sale of the bonds, the City will seek approval of the debt transactions from the Texas Attorney General with an estimated closing date on or around June 14, 2022.

The attached appropriation ordinance reflects the maximum appropriation amount for bond proceeds for the refunded debt. The structure of the attached appropriation 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 bonds. 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.

The action in this M&C will amend the Fiscal Year 2022 Adopted Budget as approved in connection with Ordinance 25073-09-2021, Section 3. Debt Service Funds, as listed on page 11 as follows:

Fund / Department	FY2022 Adopted Budget	Budget Adjustment	Revised FY2022 Budget
Budget Category	Budget		
General Debt Service Fund			
Revenues			
Property Tax	\$121,072,221.00		\$121,072,221.00
Use of Money and Property	\$3,074,790.00		\$3,074,790.00
Transfer from CCPD	\$2,713,347.00		\$2,713,347.00
Transfer from TIRZ #14	\$1,329,084.00		\$1,329,084.00
Proceeds from series 2022 refunding bonds		\$39,770,000.00	\$39,770,000.00
Total Revenues	\$128,189,442.00	\$39,770,000.00	\$167,959,442.00
Expenditures			
Financial Management Services (Debt Obligation)	\$128,189,442.00	\$39,770,000.00	\$167,959,442.00
Total Expenditures	\$128,189,442.00	\$39,770,000.00	\$167,959,442.00

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 approval of the above recommendations and adoption of the attached ordinances, the sale of the taxable Series 2022 General Purpose Refunding Bonds will occur as required under the parameters set forth therein, that funds will be available in the General Debt Service Funds as appropriated, and will be available to repay the debt when due and payable.

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Expedited