

Mayor and Council Communication

DATE: 04/23/24

M&C FILE NUMBER: M&C 24-0313

LOG NAME: 13GENERAL PURPOSE BONDS SERIES 2024

SUBJECT

(ALL) Adopt Ordinance Authorizing Issuance and Sale of City of Fort Worth, Texas General Purpose Bonds, Series 2024, in an Aggregate Principal Amount Not to Exceed \$185,000,000.00; 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; Enacting Related Provisions; Adopt Ordinance to Extend Period of Delegated Authority for General Purpose Refunding Bonds in Support of the Commercial Paper Program; Adopt Appropriation Ordinance; and Amend Fiscal Year 2024 Adopted Budget

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached ordinance, which (i) authorizes the issuance of City of Fort Worth, Texas General Purpose Bonds, Series 2024, in an aggregate principal amount not to exceed \$185,000,000.00, for the purpose of funding projects within the 2022 bond program, and paying the costs of issuance for the bonds; (ii) delegates to designated City officials authority to effect sale of the bonds by competitive bid or negotiated sale as determined most advantageous based on current market conditions - subject to certain parameters as set forth in the ordinance; (iii) authorizes execution of all related documents; (iv) provides 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) enacts other provisions related thereto;
2. Adopt the attached appropriation ordinance increasing receipts and appropriations in the General Debt Service Fund in the amount of \$24,810,000.00 , from available unpledged fund balance and subject to the sale of bonds, for the purpose of paying cost of issuance, with such amount subject to reduction to conform to final figures reflected in bond closing documents;
3. Adopt the attached ordinance (i) 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 outstanding at any one time, to allow outstanding commercial paper to be refunded/refinanced, if needed; (ii) approving the sale of the bonds subject to certain parameters being met; (iii) authorizing instruments related to the issuance of the bonds; (iv) providing for levy, assessment, and collection of property tax sufficient to pay the principal and interest on said bonds; and (v) extending delegated authority to effect the sale of refunding bonds through April 22, 2025.
4. Amend the Fiscal Year 2024 Adopted Budget.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions associated with the City's general obligation, tax-backed debt. Actions include adoption of an ordinance for issuance and sale of tax-exempt Series 2024 General Purpose Bonds and appropriation of proceeds as part of the 2022 Bond Program and adoption of an updated refunding bond ordinance to support the general commercial paper (CP) program.

2022 Bond Program Issuance

Adoption of the attached bond ordinance associated with Recommendation 1 approves the issuance of bonds to provide \$160,190,000.00 in "new money" bonds from the 2022 Bond Program for the purpose of constructing streets and public mobility improvements; park and recreation improvements; library system improvements; and police and fire public safety facilities. Because interest income deposited to the General Debt Service Fund came in higher than was originally budgeted, there is unpledged, available fund balance, which the ordinance associated with Recommendation 2 would appropriate to pay cost of issuance.

The role of the current bond offering in the overall 2022 Bond Program is shown as follows:

Date Of Election	Amount Authorized	Purpose	Amount Previously Sold	Amount Now Offered	Unissued Balance
May 07, 2022	\$369,218,300.00	Streets and Mobility	\$68,774,000.00	\$56,403,000.00	\$244,041,300.00
May 07, 2022	\$123,955,000.00	Parks and Recreation	\$11,270,500.00	\$78,799,000.00	\$33,886,000.00
May 07, 2022	\$12,505,200.00	Public Library	\$712,500.00	\$10,111,000.00	\$1,681,700.00
May 07, 2022	\$39,321,000.00	Public Safety	\$4,843,000.00	\$14,877,000.00	\$19,601,000.00
		Natural			

May 07, 2022	\$15,000,000.00	Area and Open Space	\$0	\$0	\$15,000,000.00
	\$560,000,000.00		\$85,600,000.00	\$160,190,000.00	\$314,210,000.00

Staff is continuing to refine how project costs will be allocated as between proceeds of issued bonds and the ECP appropriation (M&C 22-0607; Ordinance 25675-08-2022). A separate M&C will be brought forward in the near future to appropriate the proceeds of this sale and make any necessary adjustments and reallocations for the ECP appropriation authority to maximize use of all available resources. To date no ECP notes have been issued for any 2022 bond program projects.

Staff anticipates that these bonds be sold through a competitive bid sale. However, to provide maximum flexibility to address any disruption to market conditions, the attached ordinances authorizes the City Manager or the Chief Financial Officer to conduct either a competitive or negotiated sale and 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, 2044; maximum true interest cost of 6.00%; and maximum net effective interest rate, calculated per chapter 1204 of the Government Code, is 15.00%.

Rating agency meetings with Fitch, S&P, and Kroll will be conducted prior to the sale of the bonds. Ratings are anticipated to be received the week of May 7, 2024. Bids for the sale of the bonds are scheduled to be submitted on May 21, 2024. 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 of June 18, 2024.

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

Fund / Department	FY2024 Adopted Budget	Budget Adjustment	Revised FY2024 Budget
Budget Category			
Property Tax	\$162,378,702.00		\$162,378,702.00
Use of Money and Property	\$3,450,000.00		\$3,450,000.00
Transfer from TIRZ #14 Trinity Lakes	\$1,748,950.00		\$1,748,950.00
Proceeds from series 2024 General Purpose bonds		\$24,810,000.00	\$24,810,000.00
Total Revenues	\$167,577,652.00	\$24,810,000.00	\$192,387,652.00
Expenditures			
Financial Management Services (Debt Obligation)	\$159,777,621.00	\$24,810,000.00	\$184,587,621.00
Transfer to Parking Debt Service	\$2,980,400.00		\$2,980,400.00
Contribution to Fund Balance/Net Position	\$4,819,631.00		\$4,819,631.00
Total Expenditures	\$167,577,652.00	\$24,810,000.00	\$192,387,652.00

Updated Refunding Bond Ordinance for CP Program

Recommendation 3 of this M&C also adopts an ordinance which provides the officials identified and designated as pricing officers with the authority to issue up to \$300,000,000.00 in General Purpose Refunding bonds if needed to facilitate the City's general obligation CP program. As approved by City council in August 2022, the CP ordinance was adopted by M&C 22-0607 and authorized up to \$300,000,000.00 in short-term commercial paper notes for the general fund to be outstanding at any time and a corresponding refunding bond ordinance was adopted at the same time. Because delegated authority to conduct the sale of bonds is time-limited under state bond law practice, the refunding bond ordinance must be readopted to extend that authority.

Although it is not anticipated that commercial paper would actually be issued very regularly, the program authority provides the Bond Program projects with liquidity and contracting authority so that staff can efficiently design and commence capital projects that are ultimately planned to be financed out of long term debt to be issued at a later date. As the program is structured, an issue of commercial paper cannot have a maturity that is later than the 270th day after the date on which the paper is initially issued. The refunding bond ordinance is an integral part of the CP program because it provides delegated authority that allows refunding bonds to be issued, within certain parameters, in the unlikely event that commercial paper is actually issued and cannot otherwise be retired or remarketed by the 270th day.

Adoption of the attached ordinance extends the delegated authority of the pricing officers to effect sale of all or any portion of up to \$300,000,000.00 in general purpose refunding bonds through April 22, 2025, if needed, and only if the parameters in the ordinance are met. Among the parameters the ordinance sets for issuance of general purpose refunding bonds is that the bonds bear a "net effective interest rate" (as defined in and calculated in accordance with the provisions of Chapter 1204, Texas Government Code) that is no greater than 15.00%.

Because ongoing authority to issue refunding bonds is needed for proper operation of the CP program, an updated refunding bond ordinance will be needed on an annual basis to extend the period of delegated authority. Staff anticipates bringing forward an updated refunding bond ordinance each year as part of the City's annual debt issuance process.

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 tax-exempt Series 2024 General Purpose 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