

Mayor and Council Communication

DATE: 04/12/22

M&C FILE NUMBER: M&C 22-0295

LOG NAME: 13SERIES 2022 GENERAL PURPOSE REF AND IMP BONDS (TAX EXEMPT)

SUBJECT

(ALL) Adopt Attached Ordinance Authorizing Issuance and Sale of City of Fort Worth, Texas General Purpose Refunding and Improvement Bonds, Series 2022 (Tax Exempt), in an Aggregate Principal Amount Not to Exceed \$255,000,000.00; 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; and Enacting Related Provisions; 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, which (i) authorizes the issuance of City of Fort Worth, Texas General Purpose Refunding and Improvement Bonds, Series 2022 (Tax Exempt), in an aggregate principal amount not to exceed \$255,000,000.00, for the purpose of funding projects within the 2018 bond program, refunding identified outstanding debt, and paying the costs of issuance for the bonds; (ii) delegates 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) 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; (v) waives the provisions in the Financial Management Policy Statements that (A) provide that general obligation bonds of the City shall generally have an average life of approximately ten and one-half (10.5) years, (B) limit debt refundings to those that result in a minimum net present value savings of 3.5 percent, (C) preclude structures involving increasing debt service payments outside the first and second year, and (D) generally require commencement of principal payments commence by the second fiscal year following debt issuance; and (vi) enacts other provisions related thereto;
2. Adopt the attached ordinance increasing estimated receipts and appropriations in the General Debt Service Fund in the amount of \$169,000,000.00, subject to the sale of bonds and receipts of proceeds, for the purpose of funding required escrow to refund existing debt and paying 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.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions associated with issuance and sale of tax-exempt Series 2022 General Purpose Refunding and Improvement Bonds and appropriation of proceeds. This action will allow refinancing and restructuring of existing debt obligations, including tax notes issued for the Future City Hall project and City equipment such as fire apparatus, as well as provide additional funding as part of the 2018 Bond Program Capital Improvement Program.

Adoption of the attached bond ordinance approves the issuance and sale of \$83,165,000.00 in "new money" bonds from the 2018 Bond Program for the purpose of constructing streets and public mobility improvements; park and recreation improvements; library system improvements; and fire safety improvements, with the remaining balance of the proceeds to be used to pay cost of issuance and refund existing debt as further described below.

The role of the current bond offering in the overall 2018 Bond Program is shown as follows:

Date of Election	Amount Authorized	Purpose	Amount Previously Sold	Amount Now Offered	Unissued Balance
May 5, 2018	\$261,630,080.00	Streets & Mobility	\$154,400,000.00	\$53,000,000.00	\$54,230,080.00
May 5, 2018	\$84,180,600.00	Park & Recreation	\$46,000,000.00	\$20,165,000.00	\$18,015,600.00
May 5, 2018	\$9,868,500.00	Library System	\$0.00	\$5,000,000.00	\$4,868,500.00
May 5, 2018	\$11,975,820.00	Fire Safety	\$4,000,000.00	\$5,000,000.00	\$2,975,820.00
May 5, 2018	\$13,770,000.00	Animal Care & Shelter	\$13,700,000.00	\$0.00	\$0.00
May 5, 2018	\$18,075,000.00	Police Facility	\$15,000,000.00	\$0.00	\$3,075,000.00

Because the City Council previously expressed the intent for the City to reimburse itself (Ordinance No. 23209-05-2018) and appropriated funds to provide interim financing for the 2018 Bond Program beginning with M&C G-19306 (Ordinance 23263-06-2018), no appropriation ordinance is needed for the new money part of this bond transaction.

The remainder of the proposed issuance is geared toward refunding and restructuring outstanding debt.

Staff and the City's co-financial advisors, PFM and TGL, are recommending the refunding of callable portions of the Series 2012 General Purpose

Bonds and Series 2012 Certificates of Obligation, with a combined par amount outstanding of \$93,590,000.00. That portion of the transaction is expected to achieve an estimated net present value savings of \$4,319,690 or 4.61%.

The ordinance also allows for the possibility of refunding some or all of the callable portion of the Series 2022 Tax Notes, which will allow the City to refund and restructure the debt by paying off the notes using funds obtained from new bonds at any date on or after April 6, 2022. Staff originally planned to refund the Tax Notes this summer to better align repayment of the debt with the useful life of the Future City Hall building. However, with the Tax Notes bearing a true interest cost of 1.73%, the recent changes in interest rates have resulted in that plan being put on pause. If economic conditions were to shift in the next few months and make it favorable to effect a refunding in a manner that minimizes that additional cost, then that option may be exercised before the year ends. Because the delegated authority in the bond ordinance expires at the end of this year, a refunding in or after 2023 would require further Council action.

Given the expectation that the tax notes may be paid off on their original seven-year maturity schedule, the financial advisors are recommending a structure in which payment on the principal for the refunding portion of the bonds not commence until year nine, after the tax notes are fully repaid. This approach would better preserve debt capacity but requires waiver of certain portions of the City's financial management policy statements (FMPS) that generally preclude debt service payments increasing beyond the first and second year and that call for principal payments to generally commence by the second fiscal year after debt is issued.

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 Moody's, Fitch, and Kroll will be conducted prior to the sale of the bonds with the bonds expected to be offered for sale approximately two weeks after ratings are received. Subsequent to pricing 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 approximately one month after the award of sale.

The attached appropriation ordinance is tied specifically to the refunding portion of this debt issuance and 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			
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		\$3,713,347.00
Transfer from TIRZ #14	\$1,329,084.00		\$1,329,084.00
Proceeds from series 2022 refunding bonds		\$169,000,000.00	
Total Revenues	\$128,189,442.00	\$169,000,000.00	\$297,189,442.00
Expenditures			

Financial Management Services (Debt Obligation)	\$128,189,442.00	\$169,000,000.00	\$297,189,442.00
Total Expenditures	\$128,189,442.00	\$169,000,000.00	\$297,189,442.00

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 2022 General Purpose Refunding and Improvement 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.

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

Originating Business Unit Head: Reginald Zeno 8517

Additional Information Contact: Anthony Rousseau 8338

Expedited