

Mayor and Council Communication

DATE: 04/11/23

M&C FILE NUMBER: M&C 23-0274

LOG NAME: 13STORMWATER BONDS SERIES 2023

SUBJECT

(ALL) Adopt Ordinance Authorizing Issuance and Sale of City of Fort Worth, Texas Drainage Utility System Revenue Bonds, Series 2023, in an Aggregate Principal Amount Not to Exceed \$50,000,000.00, Establishing Parameters with Respect to Sale of the Bonds, Delegating to Designated City Officials Authority to Effect Sale of the Bonds by Competitive Bid or Negotiated Sale, Authorizing Related Agreements, and Enacting Other Provisions; and Adopt Appropriation Ordinance

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached ordinance (i) authorizing the issuance and sale of City of Fort Worth, Texas Drainage Utility System Revenue Bonds, Series 2023, in an aggregate principal amount not to exceed \$50,000,000.00, (ii) approving the sale of the bonds subject to certain parameters being met, (iii) delegating to designated City officials authority to effect the sale of the bonds (iv) providing for the establishment of rates and collection of revenues sufficient to pay the principal and interest on said bonds, (vi) ordaining other matters related to issuance and sale of the bonds, and (vii) declaring an immediate effective date; and
 2. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Drainage Rev Bonds Series 2023 Fund in the amount of \$50,000,000.00, subject to the sale of the bonds and receipt of proceeds, for the purpose of funding capital improvements and paying the costs of issuance, with such amount subject to reduction to conform to final figures reflected in bond closing documents and with any excess cost of issuance funds remaining after closing being transferred to the debt service fund.
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DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions associated with revenue-based financing of infrastructure for the City's Stormwater System. The actions consist of authorizing bonds for system improvements and adopting the associated appropriation ordinance.

Recommendation 1 relates to the bond ordinance, which authorizes issuance and sale of up to \$50,000,000.00 in Drainage system revenue improvement bonds, in one or more series, for the purpose of (i) improving the system, and (ii) paying the costs of issuance of the bonds. The second recommendation approves the ordinance appropriating the bond proceeds. The proposed debt transaction consists of up to \$50,000,000.00 in new money to fund capital projects in alignment with the Stormwater Division's Capital Improvement plans.

Due to current market conditions, public issuers may struggle 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 February 15, 2053; the maximum true interest cost is 6.00%; and the maximum net effective interest rate, calculated per chapter 1204 of the Government Code, is 15.00%.

Rating agency calls for Moody's and S&P will be conducted prior to the sale of the bonds. Ratings are anticipated to be received the week of May 1, 2023. Bids for the sale of the bonds are scheduled to be submitted on May 17, 2023. 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 15, 2023.

The attached appropriation ordinance reflects the maximum appropriation amount for bond proceeds for the identified purposes. The ordinance's structure 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. Similarly, to the extent there are any remaining proceeds after paying cost of issuance expense, those funds are to be moved to the Stormwater Debt Service Fund.

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 actions provided within this Mayor and Council Communication, the sale of the Drainage Utility System Revenue Bonds, Series 2023 will proceed as necessary to provide funding in the Stormwater Revenue Bonds 2023 Fund

for the related Stormwater projects. Prior to any expenditures being incurred, the Transportation & Public Works Department has the responsibility to validate the availability of funds.

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Expedited