

Mayor and Council Communication

DATE: 02/25/25

M&C FILE NUMBER: M&C 25-0156

LOG NAME: 13WATER SEWER COMMERCIAL PAPER PROGRAM INCREASE FY25

SUBJECT

(ALL) Adopt Ordinance Authorizing the Extension and Increase of the Callable Commercial Paper Program for the Water Department with a Final Issuance Date No Later than February 25, 2055 and in an Aggregate Outstanding Principal Amount Not to Exceed \$700,000,000.00 at Any One Time, Authorizing Conforming Amendments of Existing Dealer, Paying Agent/Registrar and Calculation Agent Agreements for the Program, and Ordaining Other Matters Related Thereto; Adopt Amended and Restated Thirty-Second Supplemental Ordinance Authorizing Issuance and Sale of City of Fort Worth, Texas Water and Sewer System Revenue Refunding Bonds in an Amount Up to \$700,000,000.00 to Allow for Refinancing of Outstanding Commercial Paper if Needed; Adopt Appropriation Ordinances; and Amend the Fiscal Year 2025 Adopted Budget

RECOMMENDATION:

It is recommended that City Council:

1. Adopt the attached ordinance authorizing an extended and expanded callable commercial paper program for the Water Department with a final issuance date no later than February 25, 2055, in an aggregate outstanding principal amount not to exceed \$700,000,000.00 at any one time, with an annual cost of \$25,000.00; authorizing conforming amendments to the existing Dealer, Paying Agent/Registrar and Calculation Agent Agreements for the program, authorizing certain officers and employees to act on behalf of the City in the selling and delivery of the obligations, and resolving other matters incident and related to the issuance, sale, security and delivery of the obligations;
2. Adopt the attached Amended and Restated Thirty-Second Supplemental Ordinance authorizing issuance and sale of City of Fort Worth, Texas Water and Sewer System Revenue Refunding Bonds in an aggregate principal amount not to exceed \$700,000,000.00 to allow outstanding commercial paper to be refunded/refinanced for a longer term if needed;
3. Adopt the attached appropriation ordinance, increasing appropriations in the Water and Sewer Callable Commercial Paper Fund, in the amount of \$475,000,000.00, for a total appropriation of \$700,000,000.00, to support contracting authority under the callable commercial paper program;
4. Adopt the attached appropriation ordinance, increasing estimated receipts and appropriations in the Water and Sewer Fund, in the amount of \$245,500.00, from future revenues, for the purpose of paying closing and delivery fees associated with the program; and
5. Amend the Fiscal Year 2025 Adopted Budget.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions to extend and increase the liquidity facility for the City's Water and Sewer System, which supports appropriations to initiate capital projects between annual revenue bond sales. Several upcoming large facility projects in the five-year Capital Improvement Program (CIP) are necessitating this increase.

Since 2017, the City's Water and Sewer Utility System has employed a financing tool known as the Callable Commercial Paper (CCP) Program with J.P. Morgan Securities LLC engaged as dealer (M&C C-28496, Ordinance 23028-12-2017). The CCP program has provided appropriation authority for capital projects identified within the Water and Sewer Capital Improvement Program. The Water Department has used this authority in conjunction with Council-adopted reimbursement resolutions to facilitate the initial award of capital improvement contracts that will ultimately be financed by longer term bonds issued after the project has commenced. During the initial period of construction, interim payments are paid out of available resources. When System revenue bonds are then issued, proceeds are used to repay the System's interim payment sources, fund the projects, and replenish the CCP authority.

Although the CCP ordinance provides authority to have up to \$700,000,000.00 in commercial paper outstanding at any one time in order to support appropriations and expedite project delivery between bond issues, no commercial paper has actually been issued under the program to date. If CCP were to be issued, the annual dealer fee would be 0.10% of the principal amount of commercial paper outstanding. In addition, an annual calculation agent fee will be assessed each year as long as the CCP is outstanding. In accordance with state law, the commercial paper would have a maturity date that is no greater than 270 days from its date of issuance. Were the City to actually issue CCP and have it approaching maturity, the City would have several options. One such option would be to issue long-term refunding debt utilizing the authority provided under the amended and restated thirty-second supplemental ordinance, which is attached as the second recommendation. Having the ability to issue long-term refunding bonds also enhances the credit rating for the CCP program. Updated supplemental ordinances are anticipated for adoption each calendar year to extend the delegated standby authority to issue refunding bonds, if needed, throughout the life of the program.

As is required by Chapter 1371 of the Texas Government Code, the CCP program must be investment grade rated. The utility system's strong financial performance and strong market access resulted in the CCP program being awarded S&P's highest short-term rating of A-1+.

The action in this M&C will amend the Fiscal Year (FY) 2025 Adopted Budget as approved in connection with Ordinance 27107-09-2024, Section 4. Enterprise Funds, as listed on Page 22:

Section 4. Enterprise Funds

Fund / Department Budget Category	FY2025 Adopted Budget	Authority	Budget Adjustment	Revised FY2025 Budget
Water and Sewer Fund				
Revenues				
License and Permits	\$ 1,910,000.00			\$ 1,910,000.00
Charges for Services	\$ 562,502,751.00	This M&C	\$ 245,500.00	\$ 562,748,251.00
Use of Money and Property	\$ 2,596,386.00			\$ 2,596,386.00
Other Revenue	\$ 13,765,000.00			\$ 13,765,000.00
Sale of Capital Asset	\$ 100,000.00			\$ 100,000.00
Salvage Sales	\$ 30,000.00			\$ 30,000.00
Transfer from Water Impact	\$ 13,865,588.00			\$ 13,865,588.00
Transfer from Sewer Impact	\$ 18,143,557.00			\$ 18,143,557.00
Transfer from Environ Protection Fund	\$ 756,690.00			\$ 756,690.00
Transfer from Stormwater Utility Fund	\$ 1,562,024.00			\$ 1,562,024.00
Transfer from Solid Waste Fund	\$ 1,731,102.00			\$ 1,731,102.00
Use of Fund Balance	\$ -	M&C 24-0872	\$ 300,000.00	\$ 300,000.00
Total Revenues	\$ 616,963,098.00		\$ 545,500.00	\$ 617,508,598.00
Expenditures				
Water	\$ 229,115,919.00	M&C 24-0872	\$ 300,000.00	\$ 229,538,669.00
	\$ -	This M&C	\$ 122,750.00	\$ -
Reclaimed Water	\$ 211,659.00			\$ 211,659.00
Wastewater	\$ 129,555,320.00	This M&C	\$ 122,750.00	\$ 129,672,570.00
Transfer to Water Capital Fund	\$ 7,796,463.00			\$ 7,796,463.00
Transfer to General Fund for Energy Savings Prog	\$ 27,005.00			\$ 27,005.00
Transfer to HR for Positions	\$ 1,738,600.00			\$ 1,738,600.00
Transfer for Parking	\$ 218,105.00			\$ 218,105.00
Transfer to Water and Sewer Capital Fund	\$ 92,597,771.00			\$ 92,597,771.00
Payment in Lieu of Taxes	\$ 6,098,464.00			\$ 6,098,464.00
Street Rental	\$ 28,755,154.00			\$ 28,755,154.00
Transfer to Water Debt Funds	\$ 120,666,320.00			\$ 120,666,320.00
Transfer to IT Refresh Capital	\$ 182,318.00			\$ 182,318.00
Total Expenditures	\$ 616,963,098.00		\$ 545,500.00	\$ 617,508,598.00

A Form 1295 is not required because: This contract will be with a publicly-traded business entity or a wholly-owned subsidiary of a publicly-traded business entity: JP Morgan Securities LLC, US Bank Trust Company, Hilltop Securities Inc.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations and adoption of the attached appropriation ordinances, funds will be available in the Water & Sewer Fund from future revenues and in the W&S Commercial Paper Fund for the W&S Commercial Paper project. Prior to any expenditure being incurred, the Water Department has the responsibility to validate the availability of funds.

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

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