

# Mayor and Council Communication

DATE: 02/08/22

M&C FILE NUMBER: M&C 22-0095

LOG NAME: 13CASH DEFEASANCE WATER SEWER BONDS, SERIES 2012

## **SUBJECT**

(ALL) Adopt Attached Resolution Authorizing Cash Defeasance of Water and Sewer System Revenue Refunding Bonds, Series 2012; Adopt Attached Appropriation Ordinance; and Amend the Fiscal Year 2022 Adopted Budget to Achieve Projected Net Present Value Savings in the Estimated Amount of \$677,187.60 or 6.84 Percent

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## **RECOMMENDATION:**

It is recommended that the City Council:

1. Adopt the attached resolution authorizing full cash defeasance of City of Fort Worth, Texas Water and Sewer System Revenue Refunding Bonds, Series 2012, including principal, accrued interest, and transaction costs; and
2. Adopt the attached ordinance adjusting appropriations in the Water Priority Lien Debt Service Fund by reducing budgeted contribution to fund balance by \$684,912.00 and increasing appropriations by \$9,955,971.00, including \$9,271,059.00 in use of net position, for defeasance of Series 2012 Water and Sewer revenue refunding bonds, with such amount subject to reduction to conform to final figures at the time of defeasance; 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 take actions associated with defeasance of outstanding Water and Sewer System debt obligations.

Each year, the Financial Management Services Department and Water Department, in conjunction with the City's financial advisors, PFM Financial Advisors LLC and Tijerina Galvan Lawrence LLC, evaluate the Water and Sewer System's financial position and its debt portfolio to identify opportunities to refund (refinance) and/or defease outstanding debt obligations to achieve net savings and/or free up capacity for future debt-funded projects. This strategy supports the City's initiative of being good stewards of ratepayers' money.

The attached resolution authorizes the recommended cash defeasance further described below:

### **City of Fort Worth, Texas, Water and Sewer System Revenue Refunding Bonds, Series 2012**

These bonds were issued for an initial principal amount of \$31,155,000.00 for the purpose of refinancing then-existing Water and Sewer System debt to achieve savings.

This debt is callable on or after February 15, 2022, at a price of par plus accrued interest to the redemption date. The cash defeasance would be for the approximate amount of \$9,955,971.00, which represents \$9,895,000.00 of remaining principal of the bonds maturing February 15, 2023 through February 15, 2025, plus accrued interest and transaction costs.

As a result of sustained improved economic conditions within the Water and Sewer Priority Lien Debt Service Fund and additional Fiscal Year (FY) 2021 contributions that were made in anticipation of a debt issuance that was reduced in size, net position above the reserve requirement is available to defease callable debt. The defeasance is being paid wholly out of fund balance/net position available as of the close of FY2021. Adoption of this M&C will eliminate the \$684,912.00 contribution to fund balance/net position that was identified in the adopted FY2022 budget for the Water and Sewer Priority Lien Debt Service Fund and appropriate that money plus \$9,271,059 in net position for this defeasance.

Defeasance of the identified maturities will achieve projected net present value savings in the estimated amount of \$677,187.60 or 6.84 percent. As a result of the cash defeasance, the Water and Sewer System will no longer have a debt service obligation for the Series 2012 bonds.

If approved, defeasance of the identified maturities would occur on March 15, 2022.

Funding is available for appropriation in the net position/fund balance of the Water Priority Lien Debt Service Fund.

NOTE ON APPROPRIATIONS - The attached appropriation ordinance reflects the maximum appropriation amount for defeasance. Their structure accommodates variables in costs that are associated with the transaction date being a month away. To the extent numbers at the time of defeasance are less than those reflected in the ordinance, the available appropriation amount will be reduced as needed to reflect final figures 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 13 as follows:

Fund / Department Budget Category	FY2022 Adopted Budget	Budget Adjustment	Revised FY2022 Budget
Water Priority Lien Debt Service Fund			
Revenues			
Transfer from Water/Sewer	\$ 97,221,066.00		\$ 97,221,066.00
Use of Fund Balance/Net Position		\$ 9,271,059.00	\$9,271,059.00
<b>Total Revenues</b>	<b>\$ 97,221,066.00</b>	<b>\$ 9,271,059.00</b>	<b>\$ 106,492,125.00</b>
Expenditures			
Financial Management Services (Debt Obligation)	\$96,536,154.00	\$9,955,971.00	\$106,492,125.00
Contribution to Fund Balance/Net Position	\$684,912.00	(684,912.00)	\$0.00
<b>Total Expenditures</b>	<b>\$97,221,066.00</b>	<b>\$9,271,059.00</b>	<b>\$106,492,125.00</b>

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 attached resolution and appropriation ordinance, funds for principal, accrued interest, and transaction costs will be available in the Water Prior Lien Debt Service Fund, as appropriated, to legally defease the above referenced obligations.

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Expedited