

Mayor and Council Communication

DATE: 04/11/23

M&C FILE NUMBER: M&C 23-0250

LOG NAME: 13COMBINATION TAX & REV CERTIFICATES OF OBLIGATION SERIES 2023

SUBJECT

(ALL) Adopt Ordinance Authorizing Issuance and Sale of Series 2023 Combination Tax and Revenue Certificates of Obligation in an Aggregate Principal Amount Not to Exceed \$94,000,000.00 for City Hall Upgrade and Phase I Convention Center Improvements, Establishing Parameters with Respect to Sale of the Certificates, Delegating to Designated City Officials Authority to Effect Sale of the Certificates by Competitive Bid or Negotiated Sale, and Enacting Other Provisions Related to the Subject; and Adopt Appropriation Ordinance

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached ordinance authorizing the issuance of Series 2023 Combination Tax and Revenue Certificates of Obligation in an aggregate principal amount not to exceed \$94,000,000.00; authorizing execution of all related documents; and approving the sale of the certificates subject to certain parameters being met, including providing for levy, assessment and collection of a property tax sufficient to pay the interest on and principal of the certificates if other revenues are not otherwise available and appropriated for those payments (with the Convention Center portion of the certificates anticipated to be self-supporting from culture and tourism revenues); delegating to designated City officials authority to effect the sale; and ordaining other matters related thereto; and
2. Adopt the attached ordinance increasing estimated receipts and appropriations in the Certificates of Obligation 2023 Fund in the amount of \$95,000,000.00 (including premium paid for the purchase of the certificates), for the purpose of paying (i) contractual obligations incurred or to be incurred for the financing of improvements to City Hall, and the payment of fiscal, engineering and legal fees incurred; (ii) contractual obligations incurred or to be incurred for the financing of Phase I improvements to the Convention Center, and the payment of fiscal, engineering and legal fees incurred; and (iii) costs of issuance of the certificates, with appropriations subject to the sale of the certificates and receipt of proceeds and all identified amounts being subject to reduction to conform to final figures reflected in closing documents and with any excess cost of issuance funds remaining after closing being transferred to the general debt service fund.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions associated with the issuance and sale of Series 2023 Combination Tax and Revenue Certificates of Obligation (C.O.s) and appropriation of proceeds for the purpose of financing (i) improvements to City Hall, (ii) Phase I Convention Center improvements, and (iii) costs of issuance of the C.O.s.

The schedule of project costs listed below:

Project Description	Amount
City Hall Improvements	\$50,000,000.00
Phase I Convention Center Improvements	\$43,000,000.00
Cost of Issuance (including \$1M bond premium for underwriters discount)	\$2,000,000.00
Total	\$95,000,000.00

Under state law the City Council has the authority to issue C.O.s without explicit prior voter approval, provided that notice of the intent to issue C.O.s is published in a newspaper and posted online in accordance with state law, providing the public an opportunity to petition for an election to be held. In addition, the City has established financial policies governing the issuance of C.O.s that limit their use to finance public improvements in special circumstances and only after determining the City's ability to assume additional debt. An example of special circumstances is a situation, such as the one posed here, where it would be more economical to issue C.O.s rather than revenue bonds.

City Council authorized the Notice of Intent for these C.O.s on February 14, 2023 (M&C 23-0101). The Notice was published in the Star Telegram on February 17 and 24, 2023 and has been posted on the City's website since February 16, 2023. The April 11 meeting at which these C.O.s are scheduled for consideration is more than 45 days after the date Notice was initially published and posted, and a petition seeking an election has not been received.

The City Hall improvements will be funded entirely by a property tax pledge. Although the City anticipates the entire cost of the Phase I Convention Center improvements to be repaid from Culture and Tourism revenues, staff is recommending issuance of combination tax and revenue C.O.s that utilize the City's taxing authority. Pledging the City's tax authority will allow the debt financing to achieve a more favorable interest rate.

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 debt 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 C.O.s 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 requiring the net effective interest rate not to exceed 6.00% and providing for levy, assessment and collection of a tax sufficient to pay the interest on and principal of the obligations if other revenues are not otherwise available and appropriated for those payments. The Phase I Convention Center improvements are expected to be fully repaid from Culture and Tourism revenues, but as noted above, the obligations are supported by the full faith and credit of the City as a whole to achieve a more favorable interest rate and lower borrowing costs. Additionally, the C.O.s are structured with a maximum maturity date of March 1, 2043.

Rating agency calls with Moody's and S&P will be conducted prior to the sale of the debt. Ratings are anticipated to be received the week of May 1, 2023. Bids for the sale of the C.O.s are scheduled to be submitted on May 10, 2023. Subsequent to accepting the best bid and awarding the sale of the debt, the City will seek approval of the debt transactions from the Texas Attorney General with an estimated closing date of June 8, 2023.

The attached appropriation ordinance reflects the maximum appropriation amount for the proceeds of the certificates. Its 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 certificates. 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 General Debt Service Fund for use toward repayment of the C.O.s.

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 series 2023 Combination Tax and Revenue Certificates of Obligation will proceed as necessary to provide funding in the Certificate of Obligation 2023 Fund for the City Hall Move 100 Energy Way, FWCC Expansion and Cost of Issuance projects. Prior to any expenditures being incurred, the Property Management and Financial Management Services Departments have the responsibility to validate the availability of funds.

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Expedited