

Mayor and Council Communication

DATE: 06/09/26

M&C FILE NUMBER: M&C 26-0449

LOG NAME: 13DEBT SERVICE FUNDS BUDGET AMEND FY26

SUBJECT

(ALL) Adopt Appropriation Ordinances to Increase Appropriations in the Water Prior Lien Debt Service Fund and the Stormwater Debt Service Fund for Additional Current-Year Debt-Related Payments, and Amend the Fiscal Year 2026 Adopted Budget

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Water Prior Lien Debt Service Fund in a total amount of \$14,508,478.00, from the use of available net position, allocated as follows: (i) \$4,160,000.00 in additional principal payments, 2) \$348,478.00 in additional interest paymetns; and \$10,000,000.00 for arbitrage rebate payments;
 2. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Stormwater Debt Service Fund in the amount of \$864,280.00, from the use of net position, to support arbitrage rebate payments; and
 3. Amend the Fiscal Year 2026 Adopted Budget.
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DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to authorize the use of available net position in the Water Prior Lien Debt Service Fund and the Stormwater Debt Service Fund to support additional debt-related payments that are due in Fiscal Year (FY) 2026.

After the adoption of the FY2025 budget, the City of Fort Worth (City) issued additional Water and Sewer System debt obligations, including Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2025 (for the customer-side, lead-service-line replacement) and Water and Sewer System Revenue Bond, Series 2025B SWIFT (Eagle Mountain). These issuances resulted in principal and interest obligations due in the current fiscal year in excess of what had been budgeted for already outstanding debt.

In addition, updated arbitrage compliance calculations have identified increased rebate liabilities on several outstanding bond series within the Water and Sewer System and Stormwater Utility System debt portfolios. These additional payments are required to maintain compliance with federal tax regulations and to preserve the tax-exempt status of the bonds.

With respect to arbitrage, when proceeds from tax-exempt debt issuances earn interest at a rate higher than the yield on the bonds, the excess earnings must be remitted to the federal government. Due to recent interest rate changes, several bond issuances within the City's debt portfolios generated arbitrage earnings, resulting in rebate liabilities. Adoption of the above ordinances appropriates the necessary net position to fund these payments.

This M&C increases appropriations in the Water Prior Lien Debt Service Fund and the Stormwater Debt Service Fund to ensure sufficient budget is available to meet all required debt-related payments in FY 2026. Funding is available for appropriation from the net position of the Water Prior Lien Debt Service Fund and the Stormwater Debt Service Fund for the Financial Management Services Department. The balance of the Water Prior Lien Debt Service Fund net position is \$89,322,919.30, and after these appropriations, the balance will be \$74,814,441.30. The balance of the Stormwater Debt Service Fund net position is \$12,329,627.88, and after these appropriations, the balance will be \$11,465,347.88.

This will serve ALL COUNCIL DISTRICTS.

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 funds are currently available from the net position of the Water Prior Lien Debt Service Fund and the Stormwater Debt Service Fund and upon approval of the above recommendations and adoption of the attached appropriation ordinances, funds will be available the respective funds, as appropriated. Prior to any expenditure being incurred, the Financial Management Services Department has the responsibility of verifying the availability of funds.

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