

Mayor and Council Communication

DATE: 04/07/20

M&C FILE NUMBER: M&C 20-0216

LOG NAME: 13GENERAL PURPOSE REFUNDING & IMP BONDS SERIES 2020

SUBJECT

Adopt Ordinance Providing for Issuance and Sale of General Purpose Refunding and Improvement Bonds Series 2020 in an Aggregate Principal Amount Not to Exceed \$168,810,000.00, Establishing Parameters with Respect to Sale of the Bonds, Delegating to Designated City Officials Authority to Effect the Sale of the Bonds by Competitive Bid or Negotiated Sale, Enacting Other Provisions Related to the Subject, and Declaring an Immediate Effective Date; and Adopt Appropriation Ordinances (ALL COUNCIL DISTRICTS)

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached ordinance, which authorizes the issuance of Series 2020 General Purpose Refunding and Improvement Bonds in an aggregate principal amount not to exceed \$168,810,000.00 for the purpose of (i) funding projects within the 2018 bond program to include: constructing street and mobility infrastructure improvements, park and recreation improvements, and police facility improvements; (ii) refunding identified outstanding debt to achieve savings; and (iii) paying the costs associated with issuance of the Bonds; delegates to designated City officials authority to effect sale of the bonds by competitive bid or negotiated sale as determined most advantageous based on current market conditions and subject to meeting certain parameters, as set forth in the ordinance; authorizes execution of all related documents; provides for levy, assessment and collection of a property tax sufficient to pay the interest on and principal of the bonds if other revenues are not otherwise available and appropriated for those payments, and ordains related matters;
2. Adopt the attached appropriation ordinance increasing receipts and appropriations in the General Debt Service Fund in the amount of \$28,000,000.00, subject to the sale of bonds and receipts of proceeds, for the purpose of funding the required escrow to refund existing debt and paying costs of issuance, with such amount subject to reduction to conform to final figures reflected in bond closing documents; and
3. Adopt the attached appropriation ordinance increasing receipts and appropriations in the Culture and Tourism Debt Service Fund in the amount of \$23,000,000.00, subject to the sale of bonds and receipts of proceeds, for the purpose of funding the required escrow to refund existing debt and paying costs of issuance, with such amount subject to reduction to conform to final figures reflected in bond closing documents.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to approve the issuance and sale of general purpose refunding and improvement bonds that will allow refinancing of existing debt obligations to achieve net savings and will provide additional funding as part of the 2018 Bond Program Capital Improvement Plan.

Adoption of the attached bond ordinance approves the issuance and sale of \$120,000,000.00 in "new money" bonds from the 2018 program for the purpose of constructing streets and public mobility improvements; parks and recreation improvements; and police facility improvements and paying costs of issuance with the balance of the proceeds to be used to refund existing debt to achieve savings as further described below.

The role of the current bond offering in the overall 2018 bond program is shown as follows:

Date of Election	Amount Authorized	Purpose	Amount Previously Sold	Amount Now Offered
May 5, 2018	\$261,630,080.00	Street and Mobility Inf.	\$20,000,000.00	\$85,000,000.00
May 5, 2018	\$84,180,600.00	Park & Recreation	\$1,000,000.00	\$25,000,000.00
May 5, 2018	\$9,868,500.00	Library System	-0-	-0-
May 5, 2018	\$11,975,820.00	Fire Safety	\$4,000,000.00	-0-
May 5, 2018	\$13,770,000.00	Animal Care & Shelter	-0-	-0-
May 5, 2018	\$18,075,000.00	Police Facility	\$5,000,000.00	\$10,000,000.00

The rest of the proposed issuance is geared toward refunding outstanding debt to achieve savings. It is the City of Fort Worth's practice to achieve positive debt service savings through refinancing when the opportunity presents itself. Staff and the City's Co-Financial Advisors, Hilltop Securities and Estrada Hinojosa, are recommending that callable portions of the 2009 Combination Tax and Surplus Revenue Certificates, 2010 Combination Tax and Revenue Certificates, 2010A Combination Tax and Revenue Certificates, and 2010 General Purpose Bonds be refunded, with a combined par amount outstanding of \$48,810,000.00.

The actual savings amount will not be determined until the time the refunding bonds are priced. However, in accordance with the City's Financial Management Policy Statements, the ordinance provides that the refunding debt shall not be sold unless the sale will result in net present value

savings of at least 3.5 percent of the par amount being refunded.

Due to current market conditions, public issuers are struggling to price favorably in the competitive market due to a lack of liquidity with investors. 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 delegated authority expires on December 31, 2020; the maximum maturity is March 1, 2040; the maximum net effective interest rate is 6.00%, and debt may only be refunded if doing so achieves a net present value savings of at least 3.50%.

Rating agency calls with Moody's, Fitch, Standard & Poor's, and Kroll will be conducted prior to the sale of the bonds with the bonds expected to be offered for sale approximately two weeks after ratings are received. Subsequent to the pricing 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 approximately one month after the award of sale.

In accordance with the Intent to Reimburse that was adopted as part of the ordinance canvassing the bond election results (Ordinance No. 23209-05-2018) and the City's practice of issuing GO bonds in arrears, appropriations for the 2018 bond program authority were already made to accommodate projects commencing with their interim funding sources.

The attached appropriation ordinances are tied specifically to the refunding and reflect the maximum appropriation amount for bond proceeds for the refunded debt. The structure of the attached appropriation 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.

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 approval of the above recommendations and adoption of the attached ordinances, the sale of the 2020 General Purpose Refunding and Improvement Bonds will occur as required under the parameters set forth therein, that funds will be available in the General Debt Service and Culture & Tourism Debt Service Funds as appropriated, and that funds will be available in the General Debt Service Fund to repay the debt when due and payable.

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