

Mayor and Council Communication

DATE: 09/30/25

M&C FILE NUMBER: M&C 25-0918

LOG NAME: 13COMBINATION TAX & REV CERTIFICATES OF OBLIGATION SERIES 2025

SUBJECT

(ALL) Adopt Ordinance Authorizing Issuance of Series 2025 Taxable Combination Tax and Surplus Revenue Certificates of Obligation in an Aggregate Principal Amount Not to Exceed \$6,500,000.00 for the Water Department's Lead Service Line Replacement Project, Approving Sale of the Certificates to the Texas Water Development Board, Authorizing Necessary Agreement and Instruments Relating Thereto, and Enacting Other Provisions Relating to the Subject; Adopt Resolution Authorizing Principal Forgiveness Agreement in the Amount of \$6,765,306.00 and Related Escrow Agreement; and Adopt Appropriation Ordinances

RECOMMENDATION:

It is recommended that the City Council take the following actions related to the Water Department's Lead Service Line Replacement Project Totalling \$13,265,306.00:

1. Adopt the attached ordinance authorizing the issuance of Taxable Series 2025 Combination Tax and Surplus Revenue Certificates of Obligation in an aggregate principal amount not to exceed \$6,500,000.00 for the Water Department's Lead Service Line Replacement project; authorizing sale of the Certificates to The Texas Water Development Board; authorizing necessary agreements and instruments; and enacting other provisions relating to the subject;
 2. Adopt the attached resolution authorizing a principal forgiveness agreement in the amount of \$6,765,306.00 and related principal forgiveness escrow agreement;
 3. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the TWDB LSLR Forgiveness Fund by \$6,765,306.00, subject to the execution of the principal forgiveness agreement and receipt of funds, for the purpose of funding capital improvements;
 4. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the TWDB LSLR CO 2025 Fund, in the amount up to \$6,500,000.00, subject to the sale of bonds and receipt of proceeds, with 1) approximately \$6,372,549.00 for the purpose of funding capital improvements, and 2) up to \$127,451.00 for the purpose of paying a portion of the costs of issuance, with any excess cost of issuance funds remaining after closing being transferred to the Water and Sewer Debt Service Fund; and
 5. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Water and Sewer Fund, in the amount of \$72,939.50, from available net position, for the purpose of paying the remainder of the costs of issuance, with such amount subject to reduction to conform to final figures reflected in debt closing documents.
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DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions to obtain cost-effective funding for the Water Department's \$13,265,306.00 project to replace individual customers' galvanized service lines that are determined to be at risk of having lead contamination.

The City's project consists of replacing thousands of galvanized requiring replacement (GRR) service lines throughout its service area that are remnants of previous partial replacement efforts. The funding will be used to remove galvanized pipes when the upstream service line material is known to be or historically may have been lead. While this project provides critical public health benefits by reducing the risk of lead contamination to both the individually impacted end-use customers and the system as a whole, customer-side improvements will not be owned by the City or become part of the system. Due to the project's inclusion of privately owned service lines, the Certificates of Obligation (C.O.s) issued to support the project will be taxable.

The Texas Water Development Board (TWDB) is providing total financial assistance of \$13,265,306.00 from the Drinking Water State Revolving Fund through (i) the proposed purchase of the C.O.s at a less-than-market interest rate, accounting for 49% of the project costs, and (ii) provision of principal forgiveness of 51% of the project costs (TWDB Resolution 24-095).

Approval of the first recommendation and adoption of the associated ordinance will authorize the issuance and sale of the C.O.s for the public purpose of paying all or a portion of the City's contractual obligations incurred for use in connection with (i) designing, constructing, acquiring, installing and equipping additions, extensions and improvements to the City's combined waterworks and sanitary sewer system, including water service lines, and (ii) the payment of fiscal, engineering and legal fees incurred in connection therewith (collectively, the project), including payment of the costs of issuance of the Certificates.

Under state law the City Council has the authority to issue C.O.s without explicit prior voter approval, provided that a Notice of Intent must be published and posted at least 45 days in advance of the C.O.s being authorized so that the public is provided 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.

The City Council authorized the Notice of Intent for these C.O.s on June 24, 2025 (M&C 25-0572). The Notice was published in the *Fort Worth Star Telegram* on June 29 and July 6, 2025 and has been posted on the City's website since June 24, 2025. The September 30, 2025

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 anticipates the debt service of the taxable C.O.s associated with the City's project will be self-supporting and entirely repaid from surplus water and sewer revenues. Staff is recommending issuance of combination tax and revenue C.O.s with the City's taxing authority and a pledge of surplus revenues derived from the operation of the combined water and sewer system. These surplus revenues will be available only after all operation and maintenance expenses, as well as debt service, reserve, and other requirements related to any outstanding revenue bonds or obligations payable from the System's net revenues, have been satisfied.

A Form 1295 is not required because: This contract will be with a governmental entity, state agency or public institution of higher education: Texas Water Development Board

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 2025 Combination Tax and Surplus Revenue Certificates of Obligation will proceed as necessary to provide funding in the Certificate of Obligation 2025 Fund for Waterworks and Sanitary Sewer System Improvements, and Cost of Issuance projects. Prior to any expenditures being incurred, the Water Department and Financial Management Services Departments have the responsibility to validate the availability of funds.

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Expedited