

Mayor and Council Communication

DATE: 04/23/24

M&C FILE NUMBER: M&C 24-0319

LOG NAME: 13STORMWATER COMMERCIAL PAPER REFUNDING BOND ORDINANCE

SUBJECT

(ALL) Adopt Updated Ordinance with Extended Period of Delegated Authority for Issuance and Sale of City of Fort Worth Texas Drainage Utility System Revenue Refunding Bonds in Support of Stormwater's Commercial Paper Program

RECOMMENDATION:

It is recommended that the City Council adopt the attached ordinance, (i) authorizing issuance and sale of City of Fort Worth, Texas Drainage Revenue Refunding Bonds in an aggregate principal amount not to exceed \$100,000,000.00 at any one time to allow outstanding commercial paper to be refunded/refinanced, if needed; (ii) approving the sale of the bonds subject to certain parameters being met; (iii) authorizing instruments related to the issuance of the bonds; (iv) providing for the establishment of rates and collection of revenues sufficient to pay the principal and interest on said bonds; and (v) extending the delegated authority to effect the sale of refunding bonds through April 22, 2025.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions to adopt an updated ordinance and extend the period of delegated authority for issuance of refunding bonds in support of Stormwater's commercial paper program. The attached ordinance provides the officials identified and designated as pricing officers with the authority through April 22, 2025 to issue up to \$100,000,000.00 in Drainage revenue refunding bonds if needed to facilitate the stormwater system's commercial paper (CP) Program.

As approved by the City Council in June 2023, the stormwater CP ordinance was adopted by M&C 23-0604 and authorized up to \$100,000,000.00 in short-term commercial paper for the Stormwater System to be outstanding at any time with the initial version of the refunding bond ordinance enacted at the same time in order to provide corresponding authority for refunding bonds. Because delegated authority under the refunding bond ordinance is time-limited to comply with legal restrictions, in subsequent years the ordinance will be updated annually.

Unlike the City's existing GO and Water Sewer commercial paper programs, the Stormwater System plans to actually issue some amount of short-term commercial paper notes - particularly to support the timely delivery of Central City projects. Issuing some commercial paper notes will support cash flow needs and the timing constraints of the Central City capital projects while minimizing delay on other critical stormwater capital projects.

For the Central City projects that will be reimbursed by Tarrant Regional Water District (TRWD), the Extendable Commercial Paper (ECP) appropriation authority is utilized to support the execution of the large-dollar contract amount for each project, but ECP will actually be issued only to the extent needed to make monthly payments equal to the amount of invoices accrued through each period. Toward the end of each Fiscal Year, TRWD will provide an annual reimbursement, which will be applied to the balance of outstanding commercial paper notes.

In addition to facilitating delivery of the Central City projects, the City uses this program as appropriation authority in conjunction with Council-adopted reimbursement resolutions to facilitate the initial award of stormwater capital improvement contracts that will ultimately be financed by longer term bonds issued after the projects have commenced. This practice largely mirrors what is done for the water utility. Staff can use the appropriation authority the ECP provides to support execution of large-dollar contracts with the smaller interim progress payments anticipated to be paid out of current revenues and pooled cash. When future stormwater bonds are issued, proceeds would be used to reimburse the source of the interim payments.

The ordinance included in this M&C mirrors the one previously adopted (M&C 23-0604) but with the period of delegated authority extended to April 22, 2025. As with the prior iteration, the attached ordinance authorizes issuance and sale of drainage utility revenue refunding bonds in an amount up to the \$100,000,000.00 outstanding at any one time to correspond with the authority under the ECP program.

In the event ECP were issued and could not be retired at its 270-day maturity or refunded with new ECP, this ordinance would allow the City to refund the issued paper with drainage utility revenue refunding bonds, if needed and so long as certain parameters are met. Among the parameters the ordinance sets for issuance of drainage revenue refunding bonds is that the bonds bear a "net effective interest rate" (as defined in and calculated in accordance with the provisions of Chapter 1204, Texas Government Code) that is no greater than 15.00%.

In accordance with the practice of the Texas Attorney General, the prior version of the stormwater refunding bond ordinance provided delegated authority that would expire a year after the ordinance was adopted. Because the ordinance requires annual re-adoption, staff anticipates bringing forward an updated ordinance for the stormwater (drainage utility) revenue refunding bond authority each year as part of the City's annual debt issuance process.

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 in net position of the Stormwater Utility Fund and upon approval of the above recommendations and adoption of the ordinance, funds will be available in the Stormwater Commercial Paper Fund. Prior to an expenditure being incurred, the Transportation & Public Works Department has the responsibility of verifying the availability of funds.

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Expedited