

City of Fort Worth, Texas

Mayor and Council Communication

DATE: 05/05/20 M&C FILE NUMBER: M&C 20-0266

LOG NAME: 13AMENDED AND RESTATED 2020 TAX NOTES

SUBJECT

Adopt Amended and Restated Ordinance Authorizing Issuance of Tax Notes in an Aggregate Principal Amount Not to Exceed \$28,800,000.00, Approving Sale of the Notes, Establishing Parameters with Respect to Sale of the Notes, Delegating to Designated City Officials Authority to Effect Sale of the Notes by Competitive Bid or Negotiated Sale, Expressing Official Intent for City to Reimburse Itself for Certain Eligible Expenditures, Enacting Other Provisions Related to the Subject, and Declaring an Immediate Effective Date; and Adopt Appropriation Ordinance (ALL COUNCIL DISTRICTS)

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached amended and restated ordinance authorizing the issuance of 2020 Tax Notes in an aggregate principal amount not to exceed \$28,800,000.00; expressing official intent for the City to reimburse itself for expenditures made for the listed projects within the 60 days preceding April 7 (the date of original authorization of the notes); authorizing execution of all related documents; and approving the sale of the notes 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; providing for levy, assessment and collection of a property tax sufficient to pay the interest on and principal of the notes if other revenues are not otherwise available and appropriated for those payments; and ordaining related matters; and
2. Adopt the attached amended and restated ordinance, which repeals a prior appropriation ordinance and increases estimated receipts and appropriations in the 2020 Tax Note Project Fund in the amount of \$29,100,000.00, for the purpose of paying (i) contractual obligations incurred or to be incurred for the construction of identified public works and the purchase of materials, supplies, equipment, machinery, buildings, lands, and rights-of-way, and (ii) costs of issuance of the notes, with appropriations subject to the sale of tax notes and receipt of proceeds and all identified amounts being subject to reduction to conform to final figures reflected in the note-closing and with any excess cost of issuance funds remaining after closing being transferred to the 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 2020 Tax Notes and appropriation of proceeds for the purpose of paying (i) costs related to certain capital projects, and (ii) costs of issuance of the notes.

This M&C follows up 20-0214, which was adopted on April 7, 2020, and serves to increase the maximum principal amount of the tax notes and of the appropriation in order to address additional needs that were identified too late for inclusion in the original City Council action.

Proceeds from the sale of the tax notes will be used to pay for purchase of fire trucks and related firefighting equipment, land acquisition on Angle Avenue (City Project No. 101583), purchase of vehicles and equipment for the Police Department and other General Fund departments, and construction improvements related to the Botanic Gardens and to pay the cost of issuance. Schedule of costs listed below:

Project Description	Original Amount	Revised Amount
Fire trucks and related firefighting equipment	\$11,600,000.00	\$11,600,000.00
Botanic Gardens Improvement Project	\$4,300,000.00	\$4,300,000.00
Angle Avenue Land Acquisition	\$2,650,000.00	\$6,550,000.00
Police Department Vehicles and Equipment	\$0.00	\$1,260,000.00
Vehicles and Equipment – Other Departments	\$0.00	\$5,092,495.00

Project Description	Original Amount	Revised Amount
Total Principal Amount	\$18,550,000.00	\$28,800,000.00**
Cost of Issuance	\$300,000.00**	\$300,000.00**
Total Appropriation Amount	\$18,850,00.00	\$29,100,000.00

** Because it is anticipated that sale of the notes will result in payment of some premium, the appropriation figure exceeds the maximum principal amount of the notes. The dollars received as premium will be used to fully fund the listed project amounts and offset the costs of issuance. The total principal amount has been rounded down to reflect that the notes will be issued in \$5,000.00 increments (each an "Authorize Denomination").

The largest portion of the proceeds will be used for fire trucks and related firefighting equipment for the Fire Department. The Equipment Note Program for the City's Fire Department was established on February 9, 1999, through the adoption of Ordinance No. 13701. Under the program, on an annual recurring basis, tax notes are sold, and proceeds are used to finance the equipment replacement program for fire equipment and apparatus. In conjunction with the Fleet Management Division of the Property Management Department, the Fire Department manages a fleet rotation plan that annually identifies vehicles and equipment that have reached their useful lives and are too old or costly to continue to utilize or maintain for public safety operations. A portion of the proceeds from sale of the notes will be used for fire trucks and related firefighting equipment scheduled for Fiscal Year 2020.

The second largest project to be funded out of the note proceeds is the acquisition of land on Angle Avenue for the Northwest Patrol Division and Auto Pound, along with additional land that may be programmed for other City purposes as needed. At the time the tax notes were originally authorized, it was anticipated that proceeds would be used to pay for only a portion of the costs, and that the balance of the site-acquisition costs (\$3,900,000.00) would be cash-funded out of available net position/fund balance in the Crime Control and Prevention District Fund. Because of the uncertainty regarding the financial impacts of the current public health situation on City revenue sources, staff proposes that the entirety of the acquisition costs be funded out of tax note proceeds so that fund balance/net position so that net position/fund balance can remain available to meet other needs.

Along those same lines, the City Manager's Office tasked staff with reviewing the planned cash-funded capital outlays for the current fiscal year for vehicles and equipment. The goal was to identify instances where costs could be appropriately shifted to the seven-year tax notes in order to create current-year savings that could offset the impact of the revenue shortfalls that are expected to occur due to the current public health emergency. Staff identified \$6,352,495.00 in vehicle-and-equipment purchases that were eligible and appropriate for tax-note financing. That total consists of \$1,260,000.00 in vehicles and equipment for the Police Department, and \$5,092,495.00 for other City departments that are funded out of the General Fund. Adoption of the amended and restated note ordinance would authorize issuance of additional notes to fund these vehicle and equipment purchases.

The other major use for the proceeds will be paying for a portion of the costs associated with technology infrastructure and other improvements at the City-owned Botanic Gardens. In addition a small portion of the proceeds will be used to pay the costs of issuance.

The attached amended and restated note ordinance also contains language that complies with federal requirements regarding the City's ability to reimburse itself out of debt proceeds incurred in the 60 days immediately preceding April 7 (the date of the original authorization for the debt). That language is included because the Information Technology Solutions (IT) Capital provided interim funding of approximately \$367,000.00 so that the technology improvements at the Fort Worth Botanic Gardens could be started to maintain project schedules. Tax Note proceeds from the above-noted \$4.3 million for the Botanic Garden project will be used to reimburse IT Capital for the funding it advanced.

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 notes. This includes authority to seek not only competitive bids for the sale of the Notes 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 Notes 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 that the Notes 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, 2027; and the maximum net effective interest rate is 4.00%.

The Notes will be priced and sold as soon as practicable based on market conditions and volatility, subject to the hard deadline of December 31 for the delegated authority. Subsequent to awarding the sale of the Notes, 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.

The attached amended and restated appropriation ordinance repeals and replaces the one that was approved on April 7 and reflects the maximum appropriation amount for Note proceeds. 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 Notes. 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 and used toward repayment of the

notes.

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 attached ordinances, the sale of the 2020 Tax Notes will occur as required under the parameters set forth therein, that funds will be available in the Tax Note 2020 Fund, and that funds will be available in the General Debt Service Fund to repay the debt when due and payable.

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