

# Mayor and Council Communication

**DATE:** 04/13/21

**M&C FILE NUMBER:** M&C 21-0259

**LOG NAME:** 13PARTIAL CASH DEFEASANCE SERIES 2011 WATER REV REF & IM BONDS

**SUBJECT**

(ALL) Adopt Attached Resolution Authorizing Partial Cash Defeasance of Water and Sewer System Revenue Bonds

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**RECOMMENDATION:**

It is recommended that the City Council adopt the attached resolution authorizing partial cash defeasance of City of Fort Worth, Texas Water and Sewer System Revenue Refunding and Improvement Bonds, Series 2011, including principal, accrued interest, and transaction costs.

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**DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to take actions associated with partial cash defeasance of outstanding Water and Sewer System debt obligations.

Each year, the Financial Management Services Department and Water Department, in conjunction with the City's financial advisors, Hilltop Securities and Estrada Hinojosa & Company, evaluates the Water and Sewer System's financial position and its debt portfolio to identify opportunities to refund (refinance) and/or defease outstanding debt obligations to achieve net savings and/or free up capacity for future debt-funded projects. This strategy supports the City's initiative of being good stewards of ratepayers' money.

The attached resolution authorizes the recommended partial cash defeasance further described below:

**City of Fort Worth, Texas, Water and Sewer System Revenue Refunding and Improvement Bonds, Series 2011**

These bonds were issued for an initial principal amount of \$151,160,000.00, for the purpose of constructing improvements and extensions to the Water and Sewer System and refinancing then-existing debt to achieve savings.

This debt is callable on or after February 15, 2021. The cash defeasance would be for all or a portion of the principal amount of \$24,670,000.00, which represents \$15,905,000.00 in principal of the bonds maturing February 15, 2025 through February 15, 2027, as well as a combined \$8,765,000.00 of principal maturities on February 15, 2030, and February 15, 2031, plus accrued interest and transaction costs. The attached resolution allows the City Manager to determine what portion of the bonds to defease.

The costs for the defeasance will primarily come from funds in the Water Priority Lien Debt Service Fund that are available from a transfer and appropriation of revenues that the City Council is being asked to approve in a separate M&C on today's agenda.

Defeasance of the identified maturities will achieve projected net present value savings in the estimated amount of \$6,119,534.04 or 24.81 percent. As a result of the partial cash defeasance, the Water and Sewer System will still be obligated to pay \$51,799,750.00 in principal and interest through February 15, 2030. The City intends to refinance the remaining principal amount of \$43,045,000.00 with proceeds from the sale of the Series 2021 Water and Sewer System Revenue Refunding and Improvement Bonds, which are being presented for authorization under a separate M&C.

If approved, defeasance of the identified maturities would occur on May 17, 2021 and sale of the refunding and improvement bonds would take place this summer 2021.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

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**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon adoption of the attached resolution, funds for principal, accrued interest, and transaction costs will be available in the Water Prior Lien Debt Service Fund, as appropriated, to legally defease the above referenced obligations.

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