

# Mayor and Council Communication

DATE: 04/13/21

M&amp;C FILE NUMBER: M&amp;C 21-0263

LOG NAME: 13SERIES 2021A GENERAL PURPOSE REF AND IMP BONDS (TAX EXEMPT)

## SUBJECT

(ALL) Adopt Attached Ordinance Authorizing Issuance and Sale of City of Fort Worth, Texas General Purpose Refunding and Improvement Bonds Series 2021A (Tax Exempt), in an Aggregate Principal Amount Not to Exceed \$166,300,000.00; Establishing Parameters with Respect to Sale of the Bonds; Delegating Authority to Effect Sale of the Bonds; and Enacting Related Provisions; and Adopt Attached Appropriation Ordinance

## RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached ordinance, which authorizes the issuance of City of Fort Worth, Texas General Purpose Refunding and Improvement Bonds, Series 2021A (Tax Exempt) in an aggregate principal amount not to exceed \$166,300,000.00 for the purpose of (i) funding projects within the 2018 bond program, (ii) refunding identified outstanding debt, and (iii) paying the costs of issuance for the bonds; delegates to designated City officials authority to effect sale of the bonds subject to certain parameters; 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; waives the provision in the Financial Management Policy Statements that limits debt refundings to those that result in a minimum net present value savings of 3.5 percent; and enacts other provisions related thereto; and
2. Adopt the attached ordinance increasing estimated receipts and appropriations in the General Debt Service Fund in the amount of \$84,000,000.00, subject to the sale of bonds and receipts of proceeds, for the purpose of funding 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 take actions associated with approval of issuance and sale of tax-exempt Series 2021A General Purpose Refunding and Improvement Bonds and appropriation of proceeds. This action will allow refinancing and restructuring of existing debt obligations, including notes issued for the new City Hall project, as well as provide additional funding as part of the 2018 Bond Program Capital Improvement Program.

Adoption of the attached bond ordinance approves the issuance and sale of \$83,170,000.00 in "new money" bonds from the 2018 Bond Program for the purpose of constructing streets and public mobility improvements; park and recreation improvements; and animal shelter improvements and paying costs of issuance, with the balance of the proceeds to be used to refund existing debt 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	Unissued Balance
May 5, 2018	\$261,830,080.00	Streets & Mobility	\$105,000,000.00	\$49,400,000.00	\$107,230,185.00
May 5, 2018	\$84,180,600.00	Park & Recreation	\$26,000,000.00	\$20,000,000.00	\$38,180,600.00
May 5, 2018	\$9,868,500.00	Library System	\$0.00	\$0.00	\$9,858,500.00
May 5, 2018	\$11,975,820.00	Fire Safety	\$4,000,000.00	\$0.00	\$7,975,820.00
May 5, 2018	\$13,770,000.00	Animal Care & Shelter	\$0.00	\$13,770,000.00	\$0.00
May 5, 2018	\$18,075,000.00	Police Facility	\$15,000,000.00	\$0.00	\$3,075,000.00

Because the City Council previously expressed the intent for the City to reimburse itself (Ordinance No. 23209-05-2018) and appropriated funds to provide interim financing for the 2018 Bond Program beginning with M&C G-19306 (Ordinance 23263-06-2018), no appropriation ordinance is needed for the new money part of this bond transaction.

The rest of the proposed issuance is geared toward refunding and restructuring outstanding debt. City staff is recommending that the Mayor and Council refund the callable portion of the Series 2021A Notes, with a par amount outstanding of \$74,000,000.00. The Series 2021A Notes were structured with an optional call provision, which allows the City to refund and restructure the existing notes by paying them off using funds obtained from the issue of new bonds. The optional call provision for the Series 2021A Notes is any date on or after September 1, 2021. It was anticipated that it would be necessary to refund the Series 2021A Tax Notes to allow for the repayment of the debt on a schedule that is more aligned with the useful life of the new City Hall building.

While refunding the tax notes and extending the maturity of the debt beyond March 1, 2026 will increase the total costs of the debt, the current economic conditions make it favorable to effect a refunding in a manner that minimizes that additional cost. At the same time, staff and the City's

co-financial advisors, Hilltop Securities and Estrada Hinojosa, are also recommending the refunding of callable portions of the Series 2011 General Purpose Bonds, with a par amount outstanding of \$8,625,000.00. That portion of the transaction is expected to achieve net present value savings in the vicinity of 3.00%. To allow the refunding to proceed, City staff recommends waiving the provision in the Financial Management Policy Statements that states that debt refunding must achieve a minimum net present value savings of 3.5% for this transaction.

Staff is recommending that these bonds be sold through a competitive sale, 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 maximum maturity is March 1, 2041; and the maximum net effective interest rate is 3.0%. Rating agency calls with Fitch, S&P, 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 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.

The attached appropriation ordinances are tied specifically to the refunding portion of this debt issuance and reflects 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.

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**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 2021A 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 Funds as appropriated, and that funds will be available in the General Debt Service Fund to repay the debt when due and payable.

**Submitted for City Manager's Office by:** Jay Chapa 5804

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Expedited