

Mayor and Council Communication

DATE: 04/13/21

M&C FILE NUMBER: M&C 21-0264

LOG NAME: 13SERIES 2021B GENERAL PURPOSE REF BONDS (TAXABLE)

SUBJECT

(ALL) Adopt Attached Ordinance Authorizing Issuance and Sale of City of Fort Worth, Texas General Purpose Refunding Bonds, Taxable Series 2021B, in an Aggregate Principal Amount Not to Exceed \$33,870,000.00; Establishing Parameters with Respect to Sale of the Bonds; Delegating Authority to Effect Sale of the Bonds; Authorizing Escrow and Other Related Agreements; and Enacting Related Provisions; and Adopt Attached Appropriation Ordinances

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached ordinance (i) authorizing the issuance of City of Fort Worth, Texas General Purpose Refunding Bonds, Taxable Series 2021B, in an aggregate principal amount not to exceed \$33,870,000.00, (ii) approving the sale of the bonds subject to certain parameters being met, (iii) authorizing escrow agreement related to retirement of the refunded obligations and other instruments related to the issuance of the bonds, (iv) providing 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, (v) waiving 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 (vi) ordaining other matters related to issuance and sale of the bonds; and
2. Adopt the attached ordinance increasing estimated receipts and appropriations in the General Debt Service Fund in the amount of \$27,000,000.00, subject to the sale of bonds and receipt of proceeds, for the purpose of funding the required escrow to refund existing debt and paying the costs of issuance, with such amount subject to reduction to conform to final figures reflected in bond closing documents; and
3. Adopt the attached ordinance increasing estimated receipts and appropriations in the Culture and Tourism Debt Service Fund in the amount of \$7,500,000.00, subject to the sale of bonds and receipt of proceeds, for the purpose of funding the required escrow to refund existing debt and paying the 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 approve the issuance and sale of refunding bonds that will allow refinancing and restructuring of certain existing taxable debt. The taxable Series 2021B Tax Notes (the Series 2021B Notes) were issued for a portion of the new City Hall project and taxable Series 2013B Certificates of Obligations (the Series 2013B COs) were originally issued for improvements to the Will Rogers Memorial Center.

City staff is recommending that the Mayor and Council refund the callable portion of the Series 2021B Notes, with a par amount outstanding of \$26,000,000.00. The Series 2021B Notes were structured with an optional call provision, which allows the City to refund and restructure the existing notes by paying off the tax notes, using funds obtained from the issue of new bonds. The optional call provision for the Series 2021B Notes is any date on or after September 1, 2021. It was anticipated that it would be necessary to refund the Series 2021B 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 maturity of the debt beyond March 1, 2026 will increase the total costs of the debt, current economic conditions make it favorable to effect a refunding in a manner that minimizes that additional cost. To allow this refunding to proceed, City staff recommends waiving the provision in the Financial Management Policy Statements that debt refunding must achieve a minimum net present value savings of 3.5% for this transaction.

As part of this issuance, City staff is also recommending that Mayor and Council refund a callable portion of the Series 2013B COs, with a par amount of \$6,635,000.00, to achieve net savings. For that portion of the transaction, the net present value savings from the refunding are expected to surpass the 3.5% minimum threshold.

Staff is recommending that these bonds be sold through a competitive bid sale with the City Manager or the Chief Financial Officer being authorized to approve the terms of the sale so long as it comes within the parameters set forth in the Council-adopted ordinance, including a maximum maturity date no later than March 1, 2041. 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. Bids for the sale of the bonds are scheduled to be submitted on or about June 8, 2021. Subsequent to accepting the best bid 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 on or around July 13, 2021.

Because the final amount of proceeds and issuance costs will vary slightly depending on factors such as whether the bonds are sold at a premium, both of the attached appropriation ordinances are written to make the appropriations subject to sale of bonds and receipt of funds. When the sale closes, final receipt and appropriation amounts will be subject to reduction to conform to final figures reflected in the closing documents.

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 actions provided within this Mayor and Council Communication, the sale of the taxable Series 2021B General Purpose Refunding Bonds will proceed as necessary to provide funding in the General Debt Service and Culture & Tourism Debt Service Funds. Prior to any expenditures being incurred, the Financial Management Services Department has the responsibility to validate the availability of funds.

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Expedited