

Mayor and Council Communication

DATE: 04/13/21

M&C FILE NUMBER: M&C 21-0265

LOG NAME: 13SERIES 2021C TAX NOTES

SUBJECT

(ALL) Adopt Attached Ordinance Authorizing Issuance and Sale of Tax Notes in an Aggregate Principal Amount Not to Exceed \$17,000,000.00, Establishing Parameters with Respect to Sale of the Notes, Delegating Authority to Effect Sale of the Notes, and Enacting Related Provisions; and Adopt Attached Appropriation Ordinance

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached ordinance authorizing the issuance of Series 2021C Tax Notes in an aggregate principal amount not to exceed \$17,000,000.00; authorizing execution of all related documents; approving sale of the notes subject to certain parameters; 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; delegating to designated City officials authority to effect the sale; and enacting other provisions related thereto; and
2. Adopt the attached ordinance (i) adjusting the FY2021 budget to correct funding for fire apparatus replacement by decreasing estimated receipts and appropriations in the Annual Fire Apparatus Replacement Project of the General Capital Improvement Plan by \$11,765,564.00 and increasing estimated receipts and appropriations in the Fire Apparatus Replacement Project of the Tax Note 2021C Fund by \$11,766,000.00, subject to issuance and sale of tax notes and receipt of proceeds and (ii) increasing estimated receipts and appropriations in the other identified projects of the Tax Note 2021C Fund by a total of \$5,584,000.00, subject to issuance and sale of tax notes and receipt of proceeds with all such appropriations subject to reduction to conform to final figures reflected in the tax note closing documents 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 2021C 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.

Proceeds from the sale of the tax notes will be used for purchase of fire equipment, fire station rehabilitation and renovations, construction improvements related to the Fort Worth Zoological Association Elephant Springs Phase II project, and Forest Park pool improvements as well as to pay the costs of issuance.

The schedule of project costs is listed below:

Project Description	Amount
Fire Apparatus Replacement*	\$11,766,000.00
Fire Station Rehabilitation and Renovations	\$3,004,000.00
Util Relocations at Zoo (FWZA Elephant Springs Phase II)	\$1,330,000.00
Forest Park pool improvements	\$900,000.00
Cost of Issuance	\$350,000.00
Total	\$17,350,000.00

*The appropriation for the Fire Apparatus Replacement project replaces and eliminates a similar appropriation that was identified in error in the adopted FY2020-2021 budget ordinance.

The City has used an Equipment Note Program for the City's Fire Department since at least 1999 (Ordinance No. 13701). On an annual recurring basis, tax notes are sold on the open market under a competitive process 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 the end of 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 to acquire equipment replacements scheduled for Fiscal Year 2021.

The other identified projects are recommended for funding out of tax note proceeds based on management's assessment of the nature of the projects, the City's role therein, and overall capital and debt plan objectives. The Forest Park pool project would fund the design of a replacement for that nearly century old facility with the intent that voters will be asked to approve funding for construction of the new Forest Park pool as part of the 2022 bond program.

Staff is recommending that the tax notes be sold through a competitive sale with identified City representatives being authorized to approve the terms of the sale so long as it comes within the parameters set forth in the Council-adopted ordinance. Key parameters include requiring that the maximum interest rate on the notes not exceed 1.75% and providing for levy, assessment and collection of a tax sufficient to pay the interest on and principal of the notes if other revenues are not otherwise available and appropriated for those payments. Additionally, the notes are structured with a seven (7) year term to comply with state law.

Rating agency presentations for Fitch, S&P, and Kroll will be conducted in early May of 2021. Ratings are anticipated to be received in mid-May. Bids for the sale of the notes are estimated to be submitted on 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.

The attached appropriation ordinance 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.

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 2021C Tax Notes will proceed as necessary to provide funding in the Tax Note 2021C Fund for the 2021 Fire Truck/Apparatus Replac, Fire Station Rehab/Reno, CFA-Zoo Elephant Springs Ph II, Forest Park Pool, and Cost of Issuance projects. Further, funds will be available within the General Debt Service Fund to repay the debt when due and payable. Prior to any expenditures being incurred, the participating departments have the responsibility to validate the availability of funds.

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Expedited