City of Fort Worth, TX

Issuer: City of Fort Worth, TX		
Assigned	**Ratings**	**Outlook**
General Purpose Refunding and Improvement Bonds, Series 2021	AA+	Stable
General Purpose Refunding Bonds, Taxable Series 2021	AA+	Stable
Combination Tax and Revenue Certificates of Obligation, Series 2021	AA+	Stable
Tax Notes, Series 2021C	AA+	Stable
Affirmed	**Ratings**	**Outlook**
General Purpose Refunding and Improvement Bonds, Series 2020	AA+	Stable (from Positive)
Tax Notes, Series 2020	AA+	Stable (from Positive)
General Purpose Bonds, Series 2019	AA+	Stable (from Positive)
Tax Notes, Series 2019	AA+	Stable (from Positive)
General Purpose Bonds, Series 2018	AA+	Stable (from Positive)
Tax Notes, Series 2018	AA+	Stable (from Positive)
General Purpose Refunding and Improvement Bonds, Series 2020	AA+	Stable (from Positive)

Methodology

U.S. Local Government GO Rating Methodology

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Rating Summary: The General Purpose Refunding and Improvement Bonds, Series 2021 (the Bonds), the General Purpose Refunding Bonds, Taxable Series 2021 (the Taxable Bonds), and the Tax Notes, Series 2021C (the Notes) are direct obligations of the City, payable from a pledge of ad valorem taxes upon all taxable real property within the City of Fort Worth (the City), within the limits prescribed by law.

The Combination Tax and Revenue Certificates of Obligation, Series 2021 (the Certificates) are also direct obligations of the City, payable from a pledge of ad valorem taxes upon all taxable real property within the City, within the limits prescribed by law and a limited pledge (not to exceed $1,000) of surplus net revenues of the City's Waterworks and Sewer System. The Certificates, along with the Bonds, the Taxable Bonds and the Notes, are referred collectively as the Series 2021 Obligations.

The City's long-term rating reflects strong financial management policies and practices, experienced leadership, and very strong financial performance and liquidity measures. Economic growth is robust, fostering improvement in the resident wealth base. While overall debt levels have increased, they remain moderate and benefit from rapid amortization. In KBRA's opinion, fixed costs should remain manageable.

The Outlook revision to Stable reflects the aforementioned modest increase in the City's debt profile. It also incorporates the uncertainty facing the City, like many municipalities, as it emerges from the COVID-19 pandemic; federal stimulus funds are exhausted; and an ultimate, post-pandemic economic recovery takes hold.

Progress made by the City to implement sweeping pension reforms continues to be viewed favorably by KBRA, with an expectation of improving funding metrics over time. Moreover, KBRA believes the City enters a post-pandemic economic environment from a position of financial strength, benefiting from continued resource and tax base growth.

FY 2020 general fund balance increased by a healthy 17%, to $204 million, while unassigned fund balance equaled a robust 23% of general fund expenditures. The City estimates balanced operations in FY 2021 due to expenditure reductions against conservative revenue assumptions. The City's liquidity position remains robust, evidenced by over 300 days cash on hand. KBRA views the City's current and historical financial performance as strong, reflecting a trend of healthy operating surpluses and strong reserve levels. Primary General Fund revenue sources are property taxes and sales taxes, accounting for 60% and 23% of FY 2020 revenues, respectively.

Fort Worth is the 12th largest city in the nation by population and among the fastest growing of the nation's top cities. Prior to the COVID-19 pandemic, the notably low unemployment rate trended positively when compared to the State of Texas (the state) and nation. Per capita income modestly lags the state. The City's tax base remains diverse with no dominant taxpayers. The 2021 full market value (FMV) per capita is approximately $95,000, which KBRA views as favorable. Approximately 60% of the tax base is residential, which is on the high side among the larger cities in the state.

KBRA continues to view Fort Worth's debt burden as moderate, though notes a modest increase to the City's direct and overlapping debt profile. KBRA notes a year over year increase in total direct and overlapping debt of approximately 4% compared with a 1% increase in FMV. Debt service accounts for 11% of FY 2020 general government expenditures, net of a cash defeasance of approximately $22 million. Favorably, debt amortization is rapid, with a significant (76%) of par maturing within 10 years. The City maintains a formal five-year capital improvement plan (CIP) which is updated annually. The largest component of the $1.8 billion CIP program is for water improvements to address system growth, rehabilitation, and other mandates. Water project funding is primarily generated through a combination of revenue bonds and pay-go funding. In May 2018, a $399.5 million bond election was approved by voters, providing the general purpose bond authority needed for the capital program. Remaining capacity from the 2018 election totals approximately $166 million, which is expected to be used over the next two years. It is anticipated that the City's next bond election (May 2022) will have a capacity of up to approximately $500 million.

The City's pension plan ($2.4 billion net pension liability) has a low funding level due in part to a historically high investment rate of return assumption. A number of measures have been taken, including adding a second benefit tier, and more recently increasing required contributions by both the City and employees. KBRA views increasing fixed costs as manageable given the City's resource base. Total fixed costs[1] were 24% of FY 2020 governmental expenditures.

The City's final allocation from ARPA is approximately $174 million. It is expected that the City should receive 50% of the allocated amount in the near term. In CY 2020, the City received approximately $159 million of funding under the CARES Act. Of the total CARES allocation, the City expended approximately $48 million in FY 2020 and through March 31, 2021, has expended approximately $96 million. Unspent CARES funds total approximately $14 million. While not without limitations on use, these funds are further bolstered by the City's robust liquidity position.

Key Credit Considerations

KBRA continues to monitor the direct and indirect impacts of the COVID-19 virus. Click here to access KBRA's ongoing research on the topic.

KBRA's rating actions were based of the following key credit considerations:

Credit Positives

- Strong financial management policies and an experienced, effective management team.
- Robust economic growth, evidenced by a diverse, growing tax and resource base, and unemployment rates which have historically trended below the State average.
- Strong financial reserves and liquidity, aided by conservative budgeting practices and formal fiscal policies and monitoring practices.

Credit Challenges

- Ability to absorb increasing pension contributions while maintaining financial strength.
- Reliance on sales taxes exposes the City's revenue base to economic fluctuations; deviation from conservative budgeting practices would also increase risk.
- Unknown, ultimate pandemic impact on the property tax base.

Rating Sensitivities

▪ Sustained, strong financial performance despite any economic downturns. ▪ Continuing progress in transitioning to a new pension funding model, with minimal impact to the City's financial position from new risk sharing mechanism. ▪ Management's ability to adapt to new property tax levy limitation without significant operational impact.	+
▪ Economic decline or tax base growth stagnation causing a significant reduction in tax revenues.	-

Rating Highlights	
Population Growth, 2010-2019	
City	23%
State	15%
Top 10 Taxpayers as % Total AV	6%
10 year CAGR of Full Market Value	6%
Unassigned General Fund Balance as % Expenditures, FY 2020	23%
Overall Debt as % Full Market Value	5%
Debt Amortization, Ten Years	76%
Fixed Costs as % Expenditures, FY 2020	24%

[1] Calculated as direct debt service (adjusted for cash defeasance), actual pension contribution, and pay-go OPEB.

Rating Determinants (RD)	
1. Management Structure and Policies	AAA
2. Debt and Additional Continuing Obligations	AA
3. Financial Performance and Liquidity	AAA
4. Municipal Resource Base	AA+

RD 1: Management Structure and Policies

KBRA views the City's governance profile and management structure as strong. A comprehensive budget process, active financial monitoring, defined reserve policies for all City fund groups, long term financial planning and conservative constraints on use of excess reserves are reflective of the City's strong management practices.

State Statutory Framework

The State constitution limits the ad valorem tax rate to $2.50 per $100 of taxable assessed value; and the City's home rule charter limits the tax rate to $1.90. SB 2 establishes a revised levy cap, lowering the levy growth rate for existing properties to 3.5% from 8%. The revision was to take effect in FY 2021, but implementation was delayed for the next 2 years due to the pandemic.

The current tax rate provides the City taxing capacity within the statutory and charter real property tax rate limit giving the City financial flexibility (and taxing power) should unanticipated needs occur. In addition, 8.7% of the City's FY 2021 operating millage is for pay go financing, providing additional operating millage capacity should the rollback millage become a constraint. The City has lowered the tax rate for the past four of the past five years, made possible by strong growth in the tax base.

Financial Management Policies and Procedures

KBRA views the City's fiscal management and control practices to be strong. Pursuant to policy, the City will maintain a minimum unassigned general fund balance of 10% of regular ongoing operating expenditures, with a goal of two months (16.67%) of regular ongoing operating expenditures. Notably, the City maintains fund balance policies on all fund types, including a policy for each individual fund within the special revenue funds, enterprise funds and internal service funds.

When reserves exceed the requirement, allowable uses of any year end excess reserves are stipulated in the policy and include: funding of liabilities with a priority given to items that reduce future financial pressure, for pay-go financing, one-time expenditures, or new programs, provided a multiyear financial projection is evaluated.

The City's annual budget process is robust. The annual budget process begins in the Spring of the preceding year. In compliance with the City charter, the City manager must submit to the City council a recommended balanced budget that provides a complete financial plan for all City funds, on or before August 15th of each year. The budget is required to be adopted by the City council at least ten days after the first publication of the appropriations ordinance.

Labor Relations

The City reports having favorable relations with employees. Police civil service employees receive increases in accordance with the police meet and confer agreement, which was just renegotiated and has a term of October 1, 2020 through September 30, 2024, and a one-year evergreen period. Fire civil service employee salaries are in accordance with the fire collective bargaining contract, expiring September 30, 2022, with a one-year evergreen. Negotiations for a new fire agreement are actively underway, and ratification is anticipated prior to the evergreen.

ESG Management

KBRA's ratings incorporate all material credit factors including those that relate to Environmental, Social and Governance (ESG) factors. Throughout our analysis, KBRA captures the impact of ESG factors in the same manner as all other credit-relevant factors.

The City maintains a Flood Response Plan, updated annually, which is used to identify flood threats and outline responses. The plan is in response to instances of flash flooding. Mitigation efforts for stormwater management are incorporated within the City's annual capital improvement program.

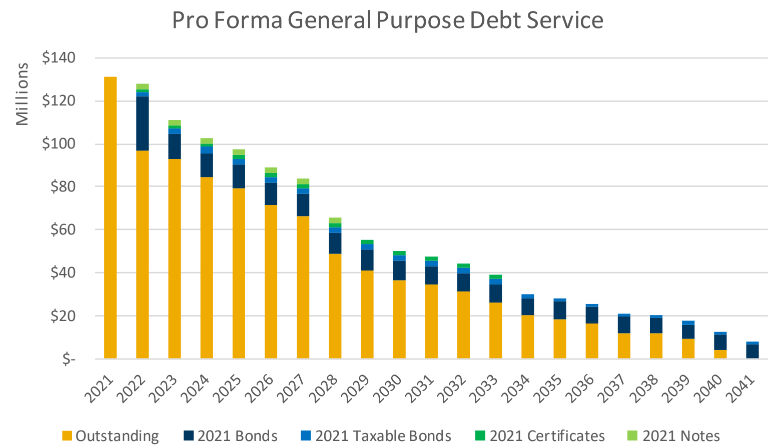
The City maintains a Sustainability Task Force which attempts to tackle the challenges of meeting growing infrastructure needs and resources while maintaining quality of life. Infrastructure needs arise from the approximately 15K to 20K people per year which move to the City. One of the many factors for which the City reviews infrastructure projects for is equitableness. Also, in response to winter storm Uri, the City is taking a strategic look at hardening certain assets and evaluating opportunities to improve resiliency.

RD 2: Debt and Additional Continuing Obligations

KBRA views the City's overall debt and additional continuing obligations as moderate, which is notable given the City's exceptionally rapid growth. However, KBRA notes an uptick in the overall debt profile. The City's use of pay go financing, practice of rapid debt repayment and active management of other continuing obligations have all served to generally contain the long-term liability profile. Additional GO bond issuances of approximately $166 million are expected over the next two years, with additional, annual tax notes issuances of approximately $17 million also expected. The City's next bond referendum will be in 2022.

The City has no variable rate debt and no exposure to derivative products such as swaps. KBRA views the City's debt amortization as very rapid, highlighted by debt service quickly declining after MADS in FY 2021 (see Figure 1).

Figure 1



Source: City of Fort Worth, Texas Series 2021 Preliminary Official Statement

Inclusive of the current offering, the City will have approximately $769 million of direct debt outstanding. The City has approximately $81 million in self-supporting debt[2] not included in the direct debt calculation. This equates to manageable levels of overall debt per capita and overall debt as a percent of full market value. The City's FY 2020 direct debt service as a percentage of total governmental expenditures is moderate (See Figure 2). Direct debt includes general obligation bonds, tax notes, and certificates of obligation (the latter two debt categories are non-voted).

Figure 2

Debt Ratios Fiscal Year 2020	
KBRA Metric	**Ratio**
Overall direct and indirect debt per capita	$4,515
Overall debt as % of full market value of property	5%
Debt amortization within 10 years	76%
Debt amortization within 20 years	99%
Direct debt service as % of total governmental expenditures	11%
Fixed Costs	24%

Note: metrics include Series 2021 Obligations. Direct direct service and fixed costs above are reduced by approximately $22 million to reflect a cash defeasance in March 2020. With special assessment debt, special tax revenue debt, and Tarrant Regional Water District obligation included, debt per capita and debt per FMV ratios are $4,991 and 5.2%, respectively. Debt outstanding as of 4/1/2021.

Source: City of Fort Worth CAFR and Preliminary Official Statement

Capital Improvement Plan (FY 2021-2025)

The City of Fort Worth maintains a formal five-year capital improvement plan (CIP). The CIP totals $1.8 billion, including $431 million budgeted for FY 2021. The largest component of the CIP is water improvements ($1.0 billion) to address system growth, rehabilitation, and other mandates. Water project funding is primarily generated through revenue bonds and pay-go funding.

[2] Self-supporting debt includes Car Rental Tax Obligation, Parking Obligations, Culture and Tourism Obligations, Solid Waste Obligations, Crime Control and Prevention District Obligations

Employee Retirement Fund

The City maintains the City of Fort Worth employees benefit plan (the City plan), a defined benefits plan. Assets of the City plan and the Retirement Fund employees plan (the staff plan, which is relatively small) are comingled for investment purposes, but the staff plan is otherwise wholly governed and maintained outside of the City. The City plan was established by City ordinance, both plans are governed by state statute and are administered by the thirteen-member retirement fund board of trustees. Adoption of benefit changes and setting of contribution rates are determined by the mayor and the City council.

Pension Changes

The City's pension plans currently have a low funded ratio, largely due to a historical high assumption for the investment rate of return relative to actual investment performance. The assumed rate of return is set by the pension board. To address the underfunding, the investment assumption was lowered, and a second benefit tier created. These initial measures were insufficient, and in 2019 additional reforms were implemented. In brief, reforms include larger contributions, eliminating service credits for future accruals of sick leave and major medical leave, and eliminating cost of living adjustments for service credits earned on or after July 20, 2019.

The City, and employees, contribute a fixed percentage of payroll. With pension reform, the city's contribution rate increased by 4.5% effective July 2019, although remains below the actuarially determined contribution (ADC). In FY 2020, the City's actual pension contribution was $124.7 million, which represents 78% of the ADC ($160.2 million). The 2019 reforms increased general employee contributions to 9.35% (from 8.25%) and increased police contributions over three years to 13.13% (from 8.73%).

The pension modifications include automatic risk sharing contributions: if the ADC is greater than actual contributions for two or more consecutive years, then contributions are to increase. The risk sharing increases are shared 60% employer and 40% employee, which is the historical overall proportional sharing of funding. It is anticipated that risk sharing contributions will take effect in FY 2022, and the maximum contribution by the city for police officers will be 27.36%, with police officers contributing a maximum of 14.73% (Figure 3).

Figure 3

City Pension Contribution Rates (% of Payroll)		
Group	Current Rate	Maximum Risk, With Risk Sharing
Police	24.96%	27.36%
Non-Police	24.24%	26.64%

Source: City of Fort Worth

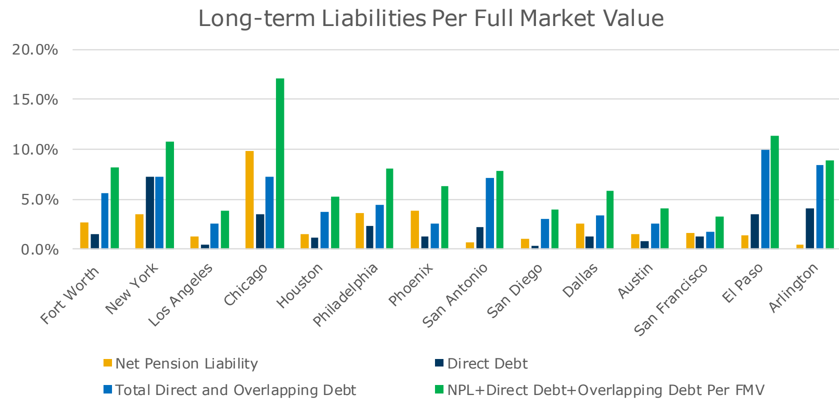
Pension Liability

Based on GASB 68 reporting requirements, the net pension liability totals $2.4 billion[3] (governmental and enterprise activities), which represents a low 3% of the full market value of real property. The plan net position as a percent of the total pension liability was 50.1%. The plan's underfunding is largely due to investment experience, as the investment assumption had been as high as 8.5%. The investment assumption is now 7%.

KBRA acknowledges the importance of the GASB NPL reporting standards, especially because of the transparent and consistent measurement they bring to the important issue of unfunded pension liabilities. However, our analysis of the issue does not stop at the point of observing and rank ordering NPL ratios. KBRA analyzes the context in which the NPL has evolved in that community, the willingness and ability to address the underlying issues, and the ability of the municipality to afford solutions. In the case of Fort Worth, KBRA notes the following: (i) the City is very conservative in managing its other direct debt obligations with nearly 80% of debt amortizing within 10 years, and (ii) the City has strong budget and economic ability to afford its increased pension contributions. KBRA views these as positive credit factors. The start of the increased contributions due to the risk sharing mechanism should improve the NPL and funding level over the long-term.

[3] GASB Statement No. 68 Reporting and Disclosure Information for the City of Fort Worth Fiscal Year Ending September 30, 2020

Figure 4



Note: data reflects FY 2020 except Chicago where FY 2019 was used.

Source: city CAFR data as presented in CreditScope.

KBRA believes the City's tax base has ample capacity to meet all of its credit and pension obligations. The City operates within its taxing limits, and KBRA estimates the City has the capacity to meet its pension obligations. Doing so, of course, would need to be considered in the context of all other tax increases for rapidly growing school districts, other infrastructure investments and taxpayer service demands.

OPEB Liabilities

The City has actively managed its OPEB liability exposure, and KBRA views the related long-term liability as moderate. The City maintains an OPEB trust, which reported a FY 2020 net position of $91.0 million. In FY 2020, the City contributed $32.9 million for retiree healthcare, including firefighters who maintain a separate plan. The total net OPEB liability for FY 2020 was $971 million. The discount rate used in computing the plan liability was 2.75%.

In FY 2020, total fixed costs (debt service, the total pension contribution and the OPEB contributions), represent 24% of total general government expenditures. KBRA views this as manageable. A pension contribution at the actuarially determined level would increase FY 2020 fixed costs to 26%.

RD 3: Financial Performance and Liquidity

KBRA views the City's financial performance as strong, with a trend of healthy operating surpluses and healthy General Fund (GF) reserve levels, as well as additional reserves and liquidity across all City operations. These financial results reflect the City's conservative budgeting and fiscal monitoring practices.

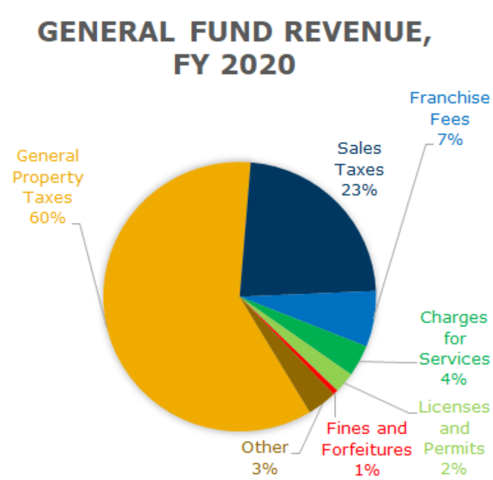
The GF is the City's primary operating fund and the focus of KBRA's financial performance analysis. The City manager may transfer budgeted amounts within a fund, while revisions altering total appropriations requires approval by the City council. The City's fiscal year ends September 30. Financial forecasts that evaluate budget performance are published twice per year.

In addition to the GF, other sizable components of governmental operations are

- the debt service fund,
- the crime and control prevention district fund (which receives a dedicated portion of the local sales tax), and
- the culture and tourism fund (which receives hotel tax collections).

The City maintains a sizable internal service fund (ISF), which is reimbursed by the other funds for services reported in the ISF. Management and reporting of equipment, capital project design, and healthcare costs are handled via the ISF, enabling the City to centralize and better leverage resources. See the Liquidity Position section below for the balance of ISF.

Figure 5



** Other Local Taxes, Revenue from Use of Money and Property, Investment Income, Intergovernmental, Gas Leases and Royalties, Other, and Contributions*
Source: City of Fort Worth, FY 2020 CAFR

Revenue Diversity

The two-primary GF revenue sources are property taxes (comprising 60% of 2020 Budgeted revenues) and sales taxes (comprising 23% of 2020 Budgeted revenues). Property taxes are collected by the county and remitted to the City as they are collected. Sales taxes, collected by the state, are remitted monthly.

The sales tax rate totals 8.25%, with 6.25% representing the state share and reminder representing the local share. In Fort Worth, as is typical of large cities in the State, the local sales tax rate levied is the maximum rate allowed under state law. Of the 2% local tax rate, 0.5% is dedicated to crime control (reported in a special revenue fund of the City). In addition, 0.5% is dedicated to the Fort Worth Transit Authority (FWTA), a separate entity from the City.

FY 2020 Audited Financial Results

Despite the pandemic, the City's FY 2020 GF balance strengthened to $204.2 million, reflecting an increase of $30.4 million over the prior year. The City's two largest sources of revenues both reflected stronger YOY performance - general property taxes and sales taxes reflected an increase of 8.6% and 0.6% from FY 2019, respectively. Unassigned fund balance ($152.7 million) equates to an excellent 23.1% of general fund expenditures (Figure 6). Historical unassigned fund balance has generally met or exceeded the City's required minimum fund balance (10%) as well as the City's goal (16.67%).

Figure 6

General Fund Revenues and Expenditures

FYE Sept. 30 ($000)	2020	2019	2018	2017	2016
Revenues					
General Property Taxes	$ 432,650	$ 398,426	$ 371,832	$ 345,657	$ 324,654
Sales Taxes	$ 166,289	$ 165,364	$ 157,369	$ 148,365	$ 138,497
Franchise Fees	$ 48,365	$ 50,494	$ 51,934	$ 50,078	$ 49,031
Charges for Services	$ 27,246	$ 28,931	$ 18,185	$ 19,349	$ 21,039
Other[1]	$ 47,679	$ 42,797	$ 35,058	$ 32,719	$ 36,695
Total Revenues	**$ 722,229**	**$ 686,012**	**$ 634,378**	**$ 596,168**	**$ 569,916**
Expenditures					
General Government	$ 99,266	$ 96,395	$ 63,718	$ 59,937	$ 57,274
Public Safety	$ 416,971	$ 418,042	$ 419,515	$ 395,236	$ 381,237
Culture and Recreation	$ 59,667	$ 59,770	$ 60,911	$ 61,166	$ 60,747
Urban Redevelopment and Housing	$ 50,342	$ 44,955	$ 35,921	$ 38,584	$ 35,767
Other[2]	$ 36,193	$ 35,656	$ 35,201	$ 35,623	$ 30,707
Total Expenditures	**$ 662,439**	**$ 654,818**	**$ 615,266**	**$ 590,546**	**$ 565,732**
Surplus (Deficit) from Operations	$ 59,790	$ 31,194	$ 19,112	$ 5,622	$ 4,184
Total Other Financing Sources (Uses)	$ (29,426)	$ (10,098)	$ (1,860)	$ (2,094)	$ 3,176
Net Change in Fund Balance	$ 30,364	$ 21,096	$ 17,252	$ 3,528	$ 7,360
Total Fund Balance	**$ 204,161**	**$ 173,797**	**$ 152,701**	**$ 135,449**	**$ 131,921**
Unassigned Fund Balance	$ 152,698	$ 128,603	$ 107,272	$ 93,601	$ 68,436
Unassigned Fund Balance as a % of General Fund Expenditures	**23.1%**	**19.6%**	**17.4%**	**15.8%**	**12.1%**

Source: City of Fort Worth CAFR

1 Includes Other Local Taxes, Licenses & permits, Fines & Forfeitures, Revenue from Use of Money and Property, Investment Income, Intergovernmental, Gas Leases and Royalties, Other, Contributions.

2 Includes Highways & Streets, Health & Welfare, Debt Service, Capital Outlay. Debt Service is largely reported in the Debt Service Fund

On a budgetary basis, actual expenditures in FY 2020 reflected a favorable variance of $37.4 million, which helped to offset a shortfall of $15 million in actual revenues, which was driven primarily by lower sales tax revenues. However, while actual sales taxes experienced a 3.8% decline from budget, it performed better than the initial decline of 6.4% as estimated in the FY 2021 Budget.

2021 Budget and Year-to-Date Revenue Projections

The FY 2021 GF budget of $782.1 million reflects a small 1.31% increase over the FY 2020 adopted budget. With continued uncertainties around the recovery timeframe from the pandemic, the City lowered the property tax collection rate to 98.25% for FY 2021 from 98.5% in the prior year but kept the property tax rate unchanged. Nonetheless, property tax revenues are estimated to increase by 2.83% YOY given higher tax roll. As the pandemic had a profound impact on the City's sales tax revenues, the adopted budget conservatively assumes a decline of 2.62% in sales tax revenues from FY 2020.

The City currently estimates it will end the year on target with budget expectations. As of March 2021, GF expenditures' favorable variance of $43.3 million helps to offset GF revenue shortfall of $18.1 million due to lower property tax collections. Nonetheless, actual property tax revenues collected YTD represented 96% of budgeted amount for FY 2021. YTD sales tax revenues are exceeding budgeted figure by 4.8%, fueled by better than expected recovery. As such, the City anticipates its sales tax revenues to be on target with budget expectations. Expenditure reductions, including a hiring freeze, cuts in discretionary spending and postponement of pay-go capital financing are expected to continue to cover any gap.

Liquidity Position

KBRA views the City's liquidity position as strong as evidenced by robust year end balances. The FY 2020 governmental funds cash totaled $1.1 billion, with an additional $90.7 million held in the ISF. The governmental funds cash represents over 300 days cash on hand at the close of FY 2020, which KBRA considers very strong. The strong liquidity position precludes the need for cash flow borrowing.

Figure 7

General Fund Balance Sheet					
FYE Sept. 30 ($000)	**2020**	**2019**	**2018**	**2017**	**2016**
Assets					
Cash & Investments	156,631	127,361	103,877	87,923	61,859
Cash & Investments Held by Trustees	33,355	32,971	32,042	30,215	26,512
Receivables	50,942	47,914	49,691	46,153	44,620
Due from Other Funds	140	-	-	281	-
Inventories (at cost)	2,707	2,322	2,153	1,892	2,014
Advances to Other Funds	3,599	-	1,844	-	24,863
Prepaids, Deposits, and Other	1,664	2,395	1,032	1,061	946
Total Assets	**249,038**	**212,963**	**190,639**	**167,525**	**160,814**
Liabilities					
Accounts Payable	14,369	15,299	15,524	13,081	10,901
Accrued Payroll	21,619	18,031	16,025	13,325	12,188
Other liabilities	1,220	1,609	1,266	968	791
Total Liabilities (excluding Deferred Inflows)	37,208	34,939	32,815	27,374	23,880
Deferred Inflows of Resources	7,669	4,227	5,123	4,702	5,013
Total Liabilities	**44,877**	**39,166**	**37,938**	**32,076**	**28,893**
Fund Balance					
Nonspendable	7,970	4,717	5,029	2,953	27,823
Restricted	9,041	10,644	10,495	9,886	12,738
Committed	29,952	29,833	27,360	29,009	22,924
Assigned	4,500	-	2,545	-	-
Unassigned	152,698	128,603	107,272	93,601	68,436
Total Fund Balance	**204,161**	**173,797**	**152,701**	**135,449**	**131,921**

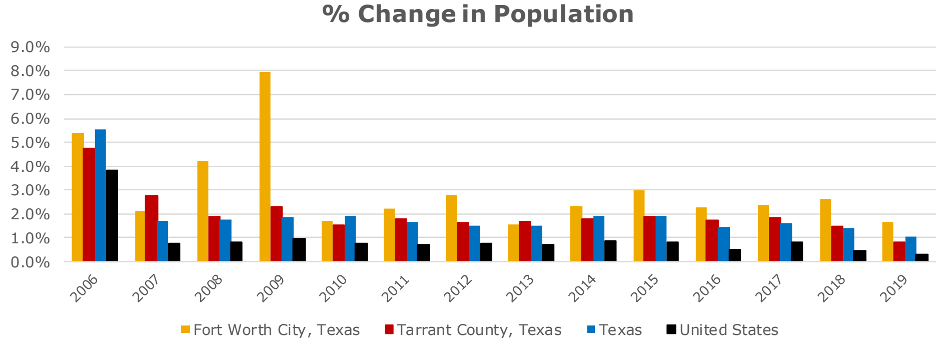
Source: City of Fort Worth CAFR

RD 4: Municipal Resource Base

KBRA views the City's resource base as very strong and diverse. The City of Fort Worth is the county seat of Tarrant County.

The City is 12th largest City in the United States and remains the 5th largest in Texas with a population of approximately 914,000. Population growth since 2010 nears 23% which significantly outpaces both the State of Texas and the U.S. across the same period. The City expects the population to grow by another 60% reaching approximately 1.4 million by 2045. Due to its rapid population growth, the City has embarked on various projects to meet service needs. The City is seeing large scale development of both residential and commercial properties. Notwithstanding the pandemic environment in 2020, the City's resource base is further supported by tourism.

Figure 8



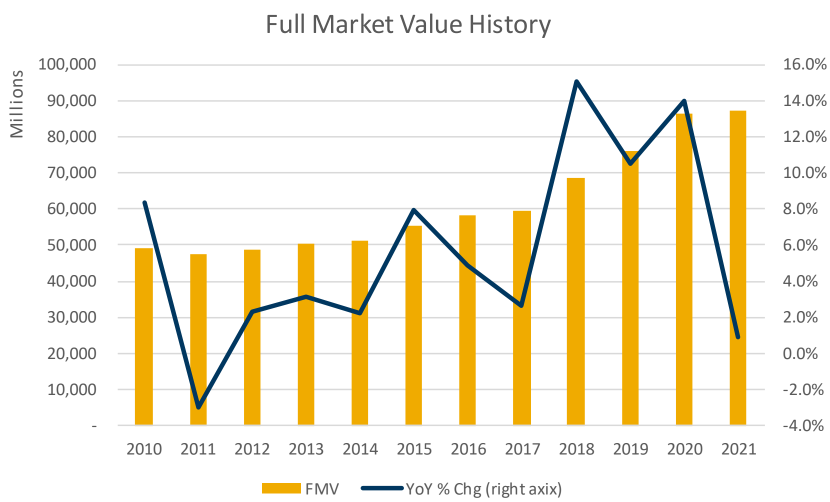
	2010	2019	% Δ 2010 to 2019	10 Year CAGR (2019)
Fort Worth City, Texas	744,114	913,656	22.8%	2.31%
Tarrant County, Texas	1,817,658	2,102,515	15.7%	1.63%
Texas	25,257,114	28,995,881	14.8%	1.55%
United States	309,349,689	328,239,523	6.1%	0.66%

Source: U.S Census

Tax Base and Demographics

Full market value (FMV) growth has been strong, increasing at a compound annual growth rate of 6% across the last ten years. The City's FMV for FY 2021 is $87.4 billion. Growth was moderated (1%) as a result of the COVID-19 pandemic. Pursuant to state law, taxable property is appraised at market value. The City's tax base is largely residential as single and multi-family properties represent 62.3% of FMV followed by commercial/industrial properties at 33% (for FY 2021). Residential growth has outpaced commercial/industrial growth. In 2010 single and multi-family properties made up approximately 51.9% of FMV. FMV per capita ($94,711) declined marginally year over year as FMV growth was muted compared with continued population growth as a result of the pandemic.

Figure 9



Source: Preliminary Official Statement Series 2021 and Continuing Disclsoure

The City's top 10 taxpayers as a percentage of total AV remains diverse. The City's property tax is collected by Tarrant County and since 2010 current property tax collections have been high, averaging over 98%. In FY 2020, the current property tax collection rate continued to be high at 97.5%.

Wealth indicators trend lower than the State and national average but income per capita growth since 2010 has been strong. The City's wealth levels remain line with the largest cities in Texas (see Figure 10).

Figure 10

City	Population	Chg. Since 2010	Per Capita Income	Chg. Since 2010	Poverty Rate	Unemployment 2019	2020	March-21
Top 10 Largest Cities in Texas								
Houston	2,316,797	9.9%	$ 33,377	35.6%	19.7%	3.8	8.8	8.0
San Antonio	1,547,250	16.0%	$ 26,826	25.2%	16.8%	3.1	7.5	6.6
Dallas	1,343,565	11.7%	$ 36,288	47.8%	17.5%	3.5	7.9	7.4
Austin	979,263	23.1%	$ 46,217	62.5%	12.2%	2.5	6.2	5.1
Fort Worth	913,656	22.8%	$ 30,115	33.2%	11.9%	3.4	7.6	7.3
El Paso	681,729	4.5%	$ 22,583	23.9%	18.6%	3.7	7.9	7.4
Arlington	398,860	8.6%	$ 29,207	29.1%	12.0%	3.4	7.7	7.0
Corpus Christi	326,590	6.9%	$ 26,979	19.5%	17.2%	4.1	8.9	8.5
Plano	285,849	9.2%	$ 48,957	26.2%	7.5%	3.1	6.3	5.5
Laredo	264,069	11.3%	$ 20,543	45.5%	19.5%	3.7	8.4	7.9

Source: U.S Census | Bureau of Labor Statistics

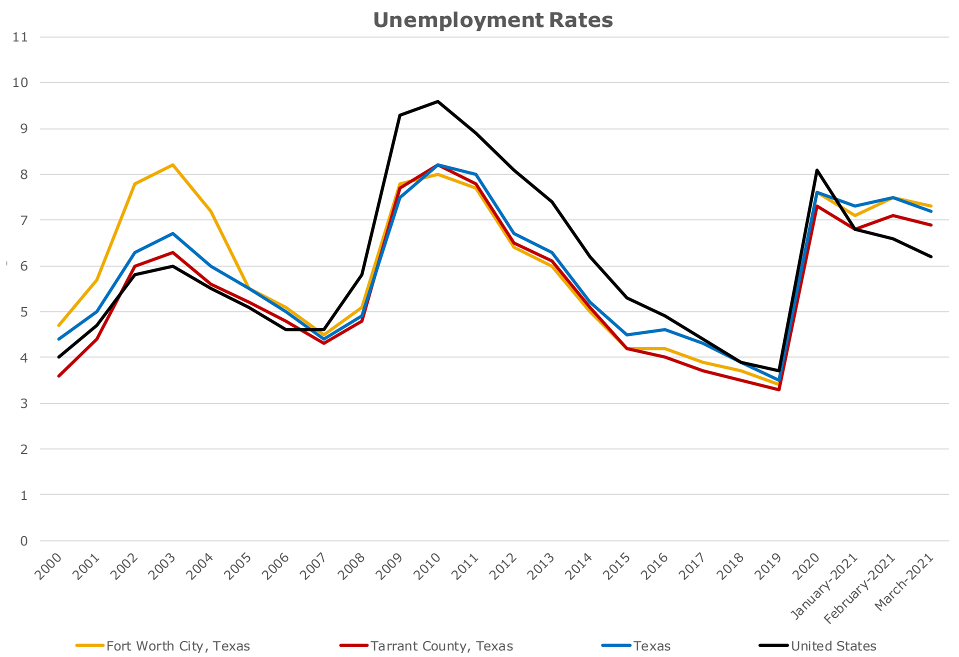
Economic Development Activities

Population growth has been a contributing factor to the robust economic development occurring in the City. Alliance Texas, a 26,000-acre master-planned, mixed use community development project, located in northern Fort Worth, has added an estimated $84 billion in economic impact since 1980, as reported in the City's FY 2020 CAFR. Residential developments include Encore Multifamily, a 300-unit, 233,198-square-foot multi-family community located on Panther Island along the Riverwalk. Other developments include the $175 million refurbishing of the historic House and Mule Barns which features restaurants, entertainment, and retail experiences, projected to be fully completed by December 2025. Several tenants opened their doors in June 2020 following a brief delay caused by the COVID-19 pandemic. Various projects were delayed due to the COVID-19 pandemic, however no notable scope changes have occurred.

Employment

Before the COVID-19 pandemic, the City's unemployment rate historically trended below the State's average. As of March 2021, the City's unemployment rate of 7.3% is slightly higher than the State's at 7.2% (see Figure 11). The City's overall employment has grown at a 2.9% CAGR within the last ten years, outpacing both the State (at 2.1%) and the U.S. (at 1.4%). As is expected, however, employment within the City declined by 3.9% year-over-year in 2020 due to the economic disruption caused by the pandemic. Employment losses were mostly concentrated within leisure and hospitality, education and health services, and trade in the Fort-Worth-Arlington MSA.

Figure 11



	Fort Worth City, Texas	Tarrant County, Texas	Texas	United States
March 2021	7.3	6.9	7.2	6.2
February 2021	7.5	7.1	7.5	6.6
Great Recession Peak	8.0	8.2	8.2	9.6
Point Δ Since Great Recession Peak	-0.7	-1.3	-1.0	-3.4

Source: U.S Bureau of Labor Statistics

Bankruptcy Analysis

KBRA has consulted outside counsel on bankruptcy matters and the following represents our understanding of the material bankruptcy issues relevant to the City.

To be a debtor under the municipal bankruptcy provisions of the U.S. Bankruptcy Code (Chapter 9), a local governmental entity must, among other things, qualify under the definition of "municipality" in the Bankruptcy Code, and must also be specifically authorized to file a bankruptcy petition by the State in which it is located. The City is a political subdivision and municipal corporation of the State of Texas organized and existing under state law, and thus is a "municipality" as defined under the Bankruptcy Code. In addition, Texas state law specifically authorizes any municipality in the state that has the power to incur indebtedness through the action of the municipality's governing body to file a Chapter 9 petition. Thus, the City has the authority under Texas state law to incur indebtedness and, hence, it is specifically authorized under Texas state law to file a Chapter 9 petition, subject of course to the further threshold requirements in Federal law (the Bankruptcy Code) for commencement of a Chapter 9 case.

The principal of and interest on the Bonds, Taxable Bonds, Certificates and Notes are payable from a direct and continuing *ad valorem* tax levied by the City, within the limits prescribed by law, upon all taxable property in the City. Additionally, the Certificates are payable from a limited pledge (not to exceed $1,000) of surplus revenues of the City's waterworks and sewer system that is remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system (the "Limited Pledge").

If the City were to file a petition commencing a Chapter 9 proceeding, Chapter 9 provides for post-petition recognition of (i) a security interest represented by a pledge of specific special tax revenues or municipal enterprise revenues (each "special revenues") and also (ii) a statutory lien on revenues pledged for municipal obligations. By contrast, the pledge of general *ad valorem* property taxes for general purpose obligations of a municipality is not recognized as a security interest or lien that survives the filing of a petition under Chapter 9.

Accordingly, because (a) the funds pledged to pay the Bonds, Taxable Bonds, Certificates and Notes are not from a separate, dedicated source of revenues that meets the definition of "special revenues" under Chapter 9 (except for the Limited Pledge), and (b) there is no statutory lien imposed on the pledged *ad valorem* tax revenues levied to pay the Bonds, Taxable Bonds, Certificates and Notes, therefore holders of the Bonds, Taxable Bonds, Certificates and Notes would likely be treated as unsecured creditors of the City except to the extent of the Limited Pledge.