

2024 DEBT FINANCING PLAN OVERVIEW

City Council Presentation
April 2, 2024

Financial Management Services

Agenda

- 2024 FINANCING PLANS
- DEFEASANCE UPDATE
- GENERAL OBLIGATION DEBT CAPACITY
- MARKET UPDATE
- DEBT FINANCING ACTIVITIES BEYOND FY2024
- CREDIT RATING INFORMATION
- CALENDAR OF ACTIVITIES
- CREDIT RATING INFORMATION - APPENDIX



2024 Financing Plans

FY 2024 Preliminary Debt Financings



Closing	Par (\$)	Issue	Project	Funding Source
General Obligation				
Q2	160,190,000	General Purpose Improvement Bonds	2022 Authorization	Ad Valorem Tax
Q2	17,000,000	Tax Notes ¹	Fire/TBD*	Ad Valorem Tax
	\$177,190,000			
Waterworks & Sewer System				
Q2	185,000,000	W & SS Revenue Bonds	W&SS	W & SS Revenue
Q2	59,000,000	2024 TWDB CWSRF Loan	W&SS	W & SS Revenue
	\$244,000,000			
Walsh Ranch Public Improvement District				
Q2	18,504,000	Special Assessment Revenue Bonds	Walsh Ranch PID	Special Assessments
	\$18,504,000			

¹\$17,000,000 Tax Notes:

\$13,265,000 fire apparatus

\$3,735,000 remaining to be determined

General Obligation 2022 Bond Program - Proposition Summary



Purpose	Amount Authorized	Amount Previously Issued	Amount To Be Issued	Unissued Balance
Streets & Mobility Infrastructure	\$369,220,000	\$68,774,000	\$56,403,000	\$244,043,000
Parks & Recreation	123,960,000	11,270,500	78,799,000	33,890,500
Public Library	12,500,000	712,500	10,111,000	1,676,500
Public Safety	39,320,000	4,843,000	14,877,000	19,600,000
Natural Area and Open Space	15,000,000	-	-	15,000,000
	\$560,000,000	\$85,600,000	\$160,190,000	\$314,210,000



Defeasance Update

Defeasance Summary



FMS will recommend an M&C to request authorization and approval for a cash defeasance using available reserves held in the debt service fund, summarized below:

GO Defeasance ¹	
Refunded Par	\$24,750,000
Maturities Refunded	2012 CO – 2026-32 2013 GO – 2026-33
Net Present Value Savings (\$)	\$339,105.65
Net Present Value Savings (%)	1.37%
Gross Interest Savings (\$)	\$3,907,606.25
Avg Annual Savings	\$2,883,260.63 (FY24-33)
Avg Refunded Coupon	3.36%

¹Preliminary, subject to change



General Obligation Debt Capacity

General Obligation Debt Capacity Analysis

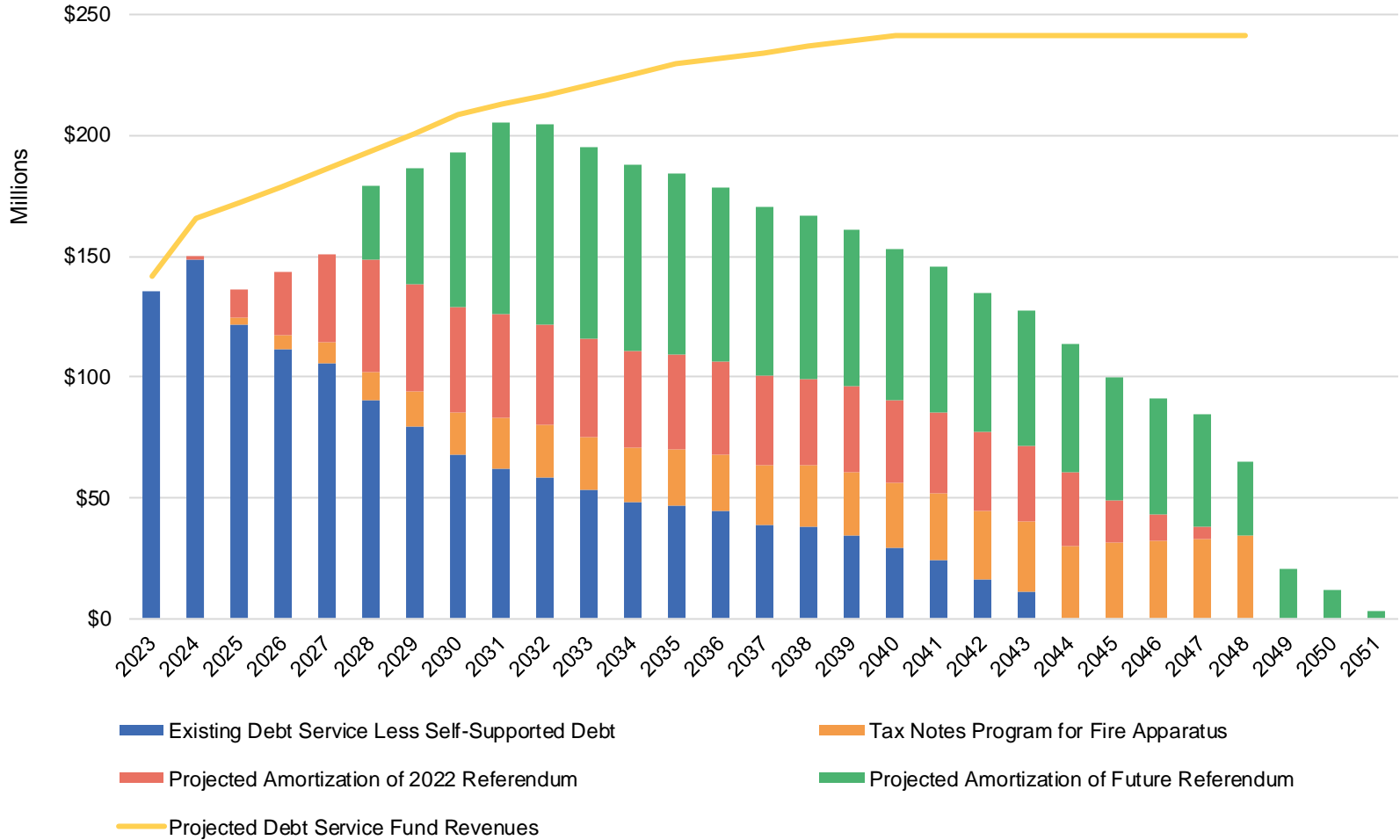


- Model is dynamic and continually updated by staff and FAs as conditions change
- Issuance plan maximizes project capacity under the current tax rates
- Estimated Available Bonding Capacity through 2030: **\$1.516 billion**
 - \$474 million remaining from 2022 bond program
 - \$122 million estimated tax note program (fire apparatus replacement)
 - \$120 million reserve capacity (Staff recommends reserving capacity for emergency purposes, grant projects that need matching funds, and other unexpected future capital needs)
 - \$800 million for future voter approved capacity

Capacity Input	Current Assumption
I&S Tax Rate	Flat at \$0.1475
Property Tax Revenue Growth Rate	4% for tax years 2024 – 2029; 2% for 2030 – 2034; 1% for 2035 – 2039 and flat thereafter
Annual Delinquents, Penalties and Interest	\$4,500,000
Self-Supporting Debt	Portions of certain obligations paid from CCPD funds, C&T revenues, Solid Waste revenues, TIRZ revenues and Car Rental taxes will continue to be funded.

Debt Input	Current Assumption
Tax Note Program	\$17,000,000 in 2024 through 2028, growing 3% thereafter
Projected 2024 Issuances	All projected issues included in capacity model, estimated at market rates
2022 Bond Program*	Remaining 2022 bond program—issued in 2024 (\$160MM), 2025 (\$115MM), 2026 (\$100MM) and 2027 (\$99.4MM)
Interest Rate Assumptions*	Market rates (Aa3) as of February 7, 2024 +0.75% for 2024 issuance and a 6.00% interest rate for 2025, 2026, and 2027 issuances to accommodate potential market volatility, rise in interest rates, etc.

General Obligation Debt Capacity Analysis¹



¹Preliminary, subject to change



Market Update

Treasury & Municipal Interest Rate Movements



AAA Municipal and U.S. Treasury Yields
(10 year Spot)¹



AAA Municipal and U.S. Treasury Yields
(30 year Spot)¹



Rates have declined from October highs. Recent fluctuations expected to continue in the near term.

¹Source: Bloomberg, as of February 2024.



Debt Financing Activities Beyond FY2024

Debt Activities Beyond FY 24



Closing*	Par (\$)	Issue	Project	Funding Source
Water & Sewer System				
2Q2025	6,685,000	2024 TWDB DWSRF Loan	W&SS	W & SS Revenue
2Q2025	195,000,000	WIFIA Loan	Mary's Creek	W & SS Revenue
2Q2025	123,000,000	2025 TWDB CWSRF Loan	Mary's Creek	W & SS Revenue
2Q2025	275,000,000	W & SS Revenue Bonds	W&SS	W & SS Revenue
2Q2025	100,000,000	2025 TWDB SWIFT Loan	W&SS	W & SS Revenue
2Q2026	50,000,000	TWDB PFAS-DWSRF Loan	W&SS	W & SS Revenue
2Q2026	165,000,000	W & SS Revenue Bonds	W&SS	W & SS Revenue
	\$914,685,000			
Drainage (Stormwater)				
2Q2026	39,720,000	Drainage Utility System Revenue Bonds	Drainage	Drainage Rev.
	\$39,720,000			
Culture & Tourism				
3Q2024	13,600,000	Special Tax Revenue Bonds	WRMC CapEx Phase II	C&T Revenue
3Q2024	50,000,000	Special Tax Revenue Bonds	Phase II Convention Center	C&T Revenue
2Q2026	53,000,000	Special Tax Revenue Bonds	Omni Expansion	C&T Revenue
2Q2026	556,000,000	Special Tax Revenue Bonds	Convention Center	C&T Revenue
TBD	TBD	Certificates of Obligation	Downtown Parking Garage	TIF Rev./TBD
	\$672,600,000			
Research & Innovation LGC (Non General Obligation)				
3Q2024	TBD	Lease Appropriation Revenue Bonds	Texas A&M Project Design	Lease Revenue
2Q2026	TBD	Certificates of Obligation	A&M Public Parking Garage	TIF/Parking Revenue
2Q2026	TBD	Lease Appropriation Revenue Bonds	Texas A&M Expansion	Lease Revenue
	\$TBD			



Credit Rating Information

Rating Overview



The City has an Aa3 rating from Moody's, equivalent AA ratings from S&P and Fitch, and an AA+ rating from Kroll

◆ Credit strengths:

- Strength of the local economy
- Strong reserves
- Very strong management practices
- Healthy financial performance

◆ Credit challenges:

- Very weak debt profile – incorporates both Debt and Pension/OPEB liabilities

◆ External factors:

- Strong Value per capita (AA)
- Very Strong Diversity of tax base (AAA)
- Adequate Resident Income (A)
- Very Strong Economic Growth (AAA)

Please see Appendix for further rating commentary and peer comparison information.

Bond Rating Scale				
Moody's	S&P	Fitch	Kroll	Category
Aaa	AAA	AAA	AAA	Highest Possible Rating
Aa1	AA+	AA+	AA+	High Grade / High Quality
Aa2	AA	AA	AA	
Aa3	AA-	AA-	AA-	
A1	A+	A+	A+	Upper Medium Grade
A2	A	A	A	
A3	A-	A-	A-	
Baa1	BBB+	BBB+	BBB+	Minimum Investment Grade
Baa2	BBB	BBB	BBB	
Baa3	BBB-	BBB-	BBB-	
Ba1, Ba2, Ba3	BB+, BB, BB-	BB+, BB, BB-	BB+, BB, BB-	Non-Investment Grade / Speculative
C	C	C	C	Highly Speculative
D	D	D	D	Imminent or in Default

PFM's Estimated Moody's Scorecard for Fort Worth



Factors & Subfactors	Weight	Pre-issuance Weighted Score ¹	Rating Category ²	Post-Issuance Weighted Score	Rating Category
Economy	30%	3.34		3.34	
Resident Income	10%	95.7%	A	95.7%	A
Full Value per Capita	10%	\$108,227.04	Aa	\$108,227.04	Aa
Economic Growth Trend	10%	1.63%	Aaa	1.63%	Aaa
Financial Performance	30%	0.50		0.50	
Available Fund Balance Ratio	20%	54.3%	Aaa	54.3%	Aaa
Liquidity Ratio	10%	84.8%	Aaa	84.8%	Aaa
Institutional Framework	10%	3.00		3.00	
Institutional Framework	10%	3	Aa	3	Aa
Leverage	30%	8.31		8.59	
Long-term Liabilities Ratio ³	20%	429.1%	Baa	449.5%	Baa
Fixed-Costs Ratio ⁴	10%	18.8%	A	18.8%	A
Indicated Rating	100%	3.94	Aa3	4.03	Aa3

¹Debt outstanding as of January 12, 2024 per PFM Debt Model

²Current score is as provided in the most recent report. The estimated score reflects PFM calculations before any qualitative analyst notching or other considerations.

³Long-Term Liabilities Ratio: Debt (151.6%) + Adj. net pension liabilities (249.1%) + Adj. net OPEB liabilities (37.5%) + Other long-term liabilities (11.3%)

⁴Fixed-Costs Ratio: Implied debt service (8.9%) + Pension tread water indicator (7.4%) + OPEB contributions (1.8%) + Implied carrying costs for other long-term liabilities (0.7%)



Calendar of Activities

Date	Action
March 26, 2024	M&C: Authorize GO Cash Defeasance – Council Meeting
April 2, 2024	Debt Plan Presentation to Council – Council Work Session
April 23, 2024	M&C: Bond Authorization/Parameters Approval – Council Meeting
April 24, 2024	GO Cash Defeasance Close
April 29, 2024	Credit Rating Agency Meetings
May 7, 2024	Receive Credit Ratings
May 17, 2024	M&C: Walsh Ranch PID Bond Authorization – Council Meeting
May 21, 2024	Bond Pricing
June 18, 2024	Bond Closing

Questions?



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Credit Rating Information - Appendix

Rating Agency Commentary on Fort Worth



	S&P	Moody's
Rating Information	AA (Stable) May 2023 Kristin Button & Jaime Blansit	Aa3 (Stable) May 2023 Adebola Kushimo & Grayson Nichols
Strengths	<ul style="list-style-type: none"> ▪ Growing and diversifying local economy with access to a broad and diverse metropolitan statistical area ▪ Very strong management, with strong financial policies and practices and a strong institutional framework score ▪ Operating general fund revenues that meet operating expenditures although the city is not making the full ADC pension contributions and doing so would result in a deficit position in the general fund; however, the available general fund reserve has increased to a level consistent with that of similarly rated peers in the most recent fiscal years 	<ul style="list-style-type: none"> ▪ Robust economy with growing tax and population base ▪ Long history of outperforming budgeted expectations ▪ Legal flexibility to reform pension benefits prospectively ▪ Strong fiscal management and capital planning, improved liquidity ▪ Large service area that extends well beyond city limits
Considerations	<ul style="list-style-type: none"> ▪ Very weak debt and contingent liability profile, with debt service carrying charges at 12% of expenditures as well as a large pension and other post-employment benefits (OPEB) obligation and the lack of a plan to sufficiently address it 	<ul style="list-style-type: none"> ▪ Unfunded pension liability remains high despite implementation of multiple benefit reforms ▪ High fixed costs that are expected to continue as the city issues new money to fund infrastructure improvements and expansions
Rating Upside Factors	<ul style="list-style-type: none"> ▪ Pension funded status improves significantly without a deterioration of reserves ▪ Continued economic improvement that results in metrics that are comparable with those of higher-rated peers 	<ul style="list-style-type: none"> ▪ Increase to total leverage or fixed costs without corresponding increase in operating revenue ▪ Poor financial performance leading to a significant decrease in reserves

Rating Agency Commentary on Fort Worth



	Fitch	Kroll
Rating Information	AA (Stable) May 2022 Emmanuelle Lawrence Button & Teri Wenck	AA+ (Stable) May 2023 Linda Vanderperre & Douglas Kilcommons
Strengths	<ul style="list-style-type: none"> ▪ Solid economic and revenue growth prospects as a major anchor in the Dallas-Fort Worth regional economy ▪ Independent revenue-raising ability ▪ Spending growth expected to be in line with revenue growth ▪ Moderate debt and net pension liability 	<ul style="list-style-type: none"> ▪ Strong financial reserves and liquidity, bolstered by conservative budgeting practices and formal fiscal policies ▪ Vibrant economic growth, evidenced by a diverse and rapidly growing tax base
Considerations	<ul style="list-style-type: none"> ▪ Increasing pension contributions driving carrying costs higher 	<ul style="list-style-type: none"> ▪ Pension contributions remain below the ADC, and the funded ratio of the City’s Retirement Fund remains low despite numerous pension reforms enacted to date ▪ Partial reliance on potentially volatile sales tax revenue exposes the GF revenue base to economic fluctuations
Rating Upside Factors	<ul style="list-style-type: none"> ▪ Closing the gap between actual contributions and actuarially determined contributions ▪ Sustained reduction in long-term liabilities 	<ul style="list-style-type: none"> ▪ Tangible progress in addressing full funding of actuarially determined pension contribution

Select City Peer Ratings



City Issuer	Debt Outstanding (\$000) ¹	Tax Base (\$000) ²	Tax Rate ³	Population ⁴	GO Rating (M/S&P/K)
Irving, TX	774,490	38,408,922	0.5891	254,962	(Aaa/AAA/NR)
Plano, TX	560,985	57,785,609	0.4176	284,948	(Aaa/AAA/NR)
San Antonio, TX	2,685,210	155,482,618	0.5416	1,445,662	(Aaa/AAA/NR)
Arlington, TX	649,845	41,360,693	0.5898	393,469	(Aa1/AAA/NR)
Austin, TX	1,692,775	234,256,552	0.4458	958,202	(Aa1/AAA/NR)
Garland, TX	431,575	23,597,977	0.6897	244,026	(NR/AA+/NR)
El Paso, TX	1,524,185	49,036,816	0.8189	677,181	(NR/AA/AA+)
Corpus Christi, TX	498,900	31,021,177	0.5998	317,804	(Aa2/AA/NR)
Fort Worth, TX	1,044,895	100,073,540	0.6725	924,663	(Aa3/AA/AA+)
Houston, TX	3,193,425	323,567,907	0.5192	2,296,253	(Aa3/AA/NR)
Dallas, TX	2,160,855	179,433,592	0.7357	1,300,642	(A1/AA-/AA+)

¹Source: Texas Municipal Advisory Council as of January 12, 2024

²Source: Texas Municipal Advisory Council (2023); Fort Worth and Dallas figures are as of 2022

³Source: Texas Comptroller of Public Accounts

⁴Source: US Census Bureau ACS 5-year Demographic and Housing Estimates (2022)

Select City Peer Debt Comparison

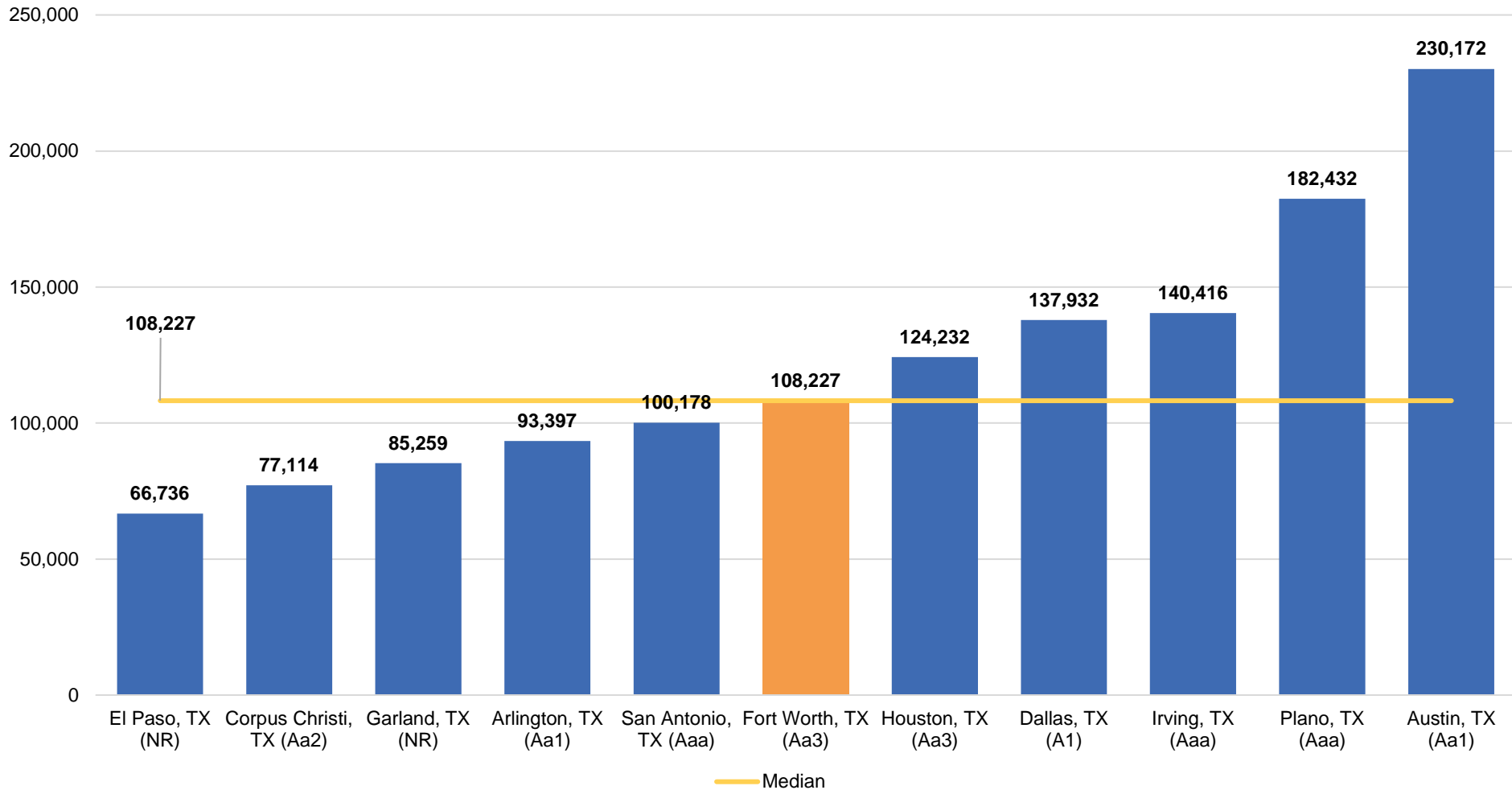


City Issuer	GO Debt Outstanding (\$000) ¹	Debt to Full Value	Debt to Revenue	Debt per Capita (\$)
Irving, TX	774,490	2.02%	1.36x	3,038
El Paso, TX	1,524,185	3.11%	1.48x	2,251
Plano, TX	560,985	0.97%	0.85x	1,969
San Antonio, TX	2,685,210	1.73%	0.88x	1,857
Garland, TX	431,575	1.83%	0.5x	1,769
Austin, TX	1,692,775	0.72%	0.33x	1,767
Dallas, TX	2,160,855	1.20%	0.6x	1,661
Arlington, TX	649,845	1.57%	0.86x	1,652
Corpus Christi, TX	498,900	1.61%	0.64x	1,570
Houston, TX	3,193,425	0.99%	0.49x	1,391
Fort Worth, TX	1,044,895	1.04%	0.51x	1,130

Texas City MFRA Comparisons – Economy and Tax Base



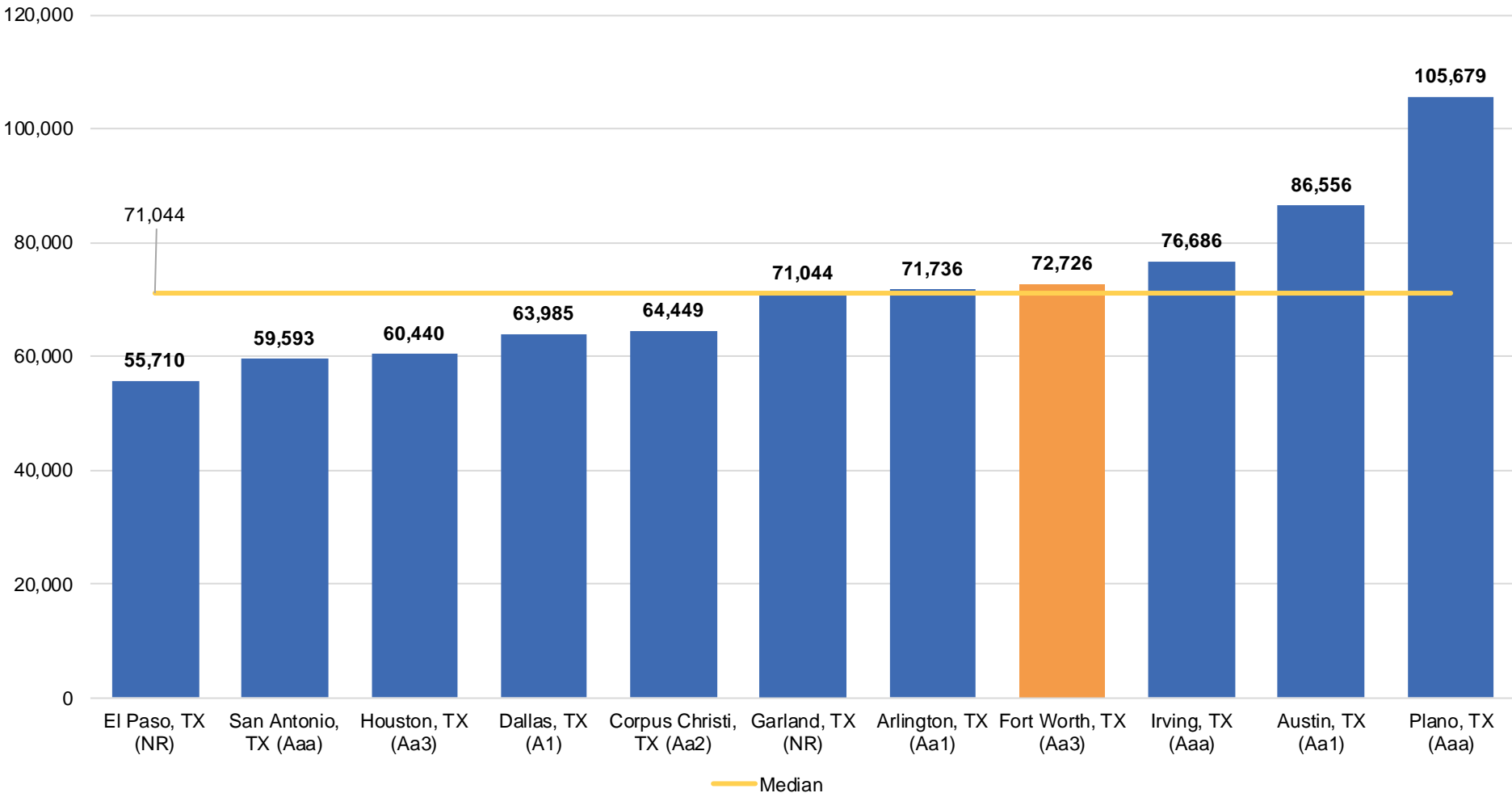
Full Value per Capita



Texas City MFRA Comparisons – Economy and Tax Base



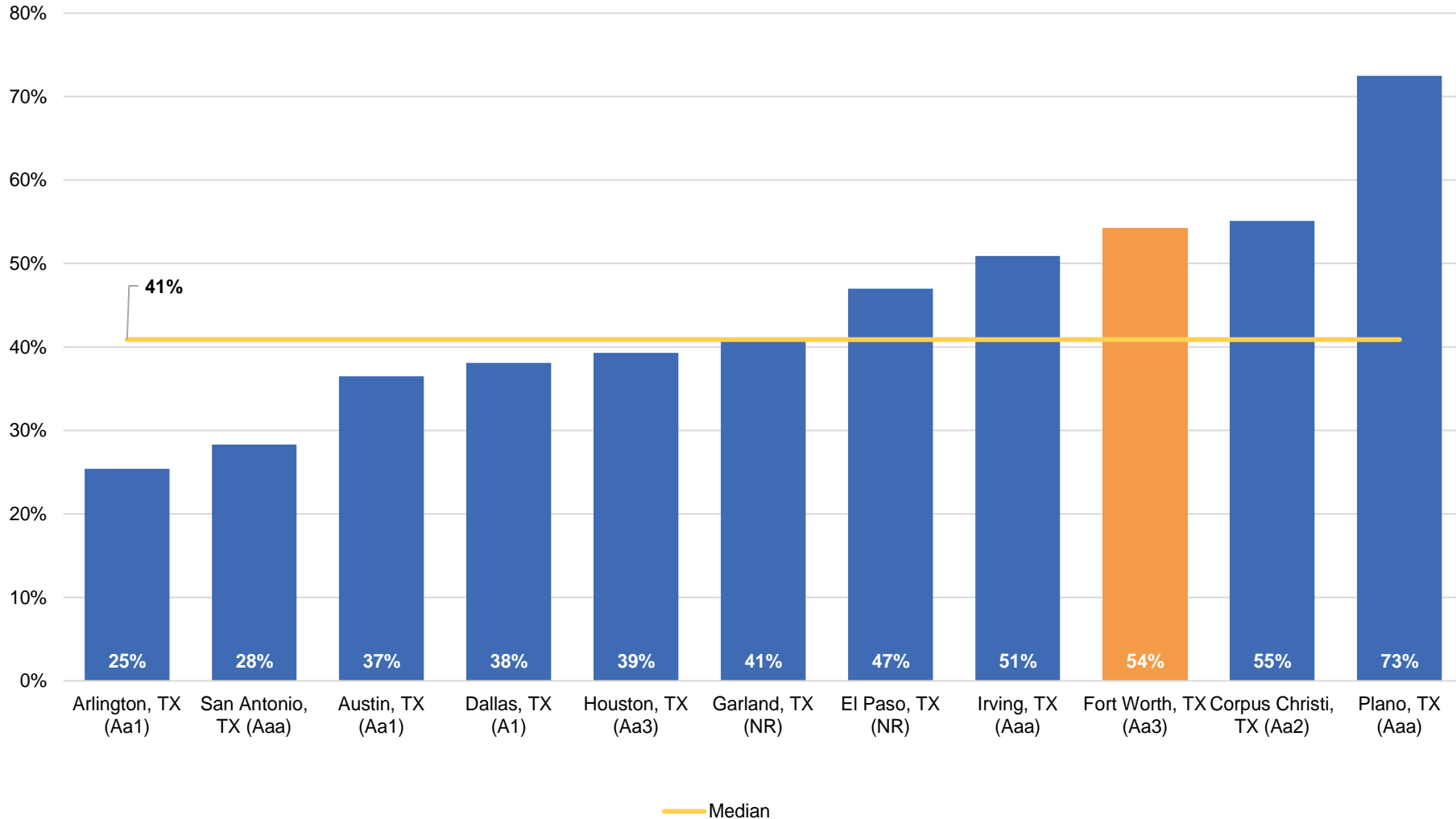
Median Household Income (\$)



Texas City MFRA Comparisons - Finances



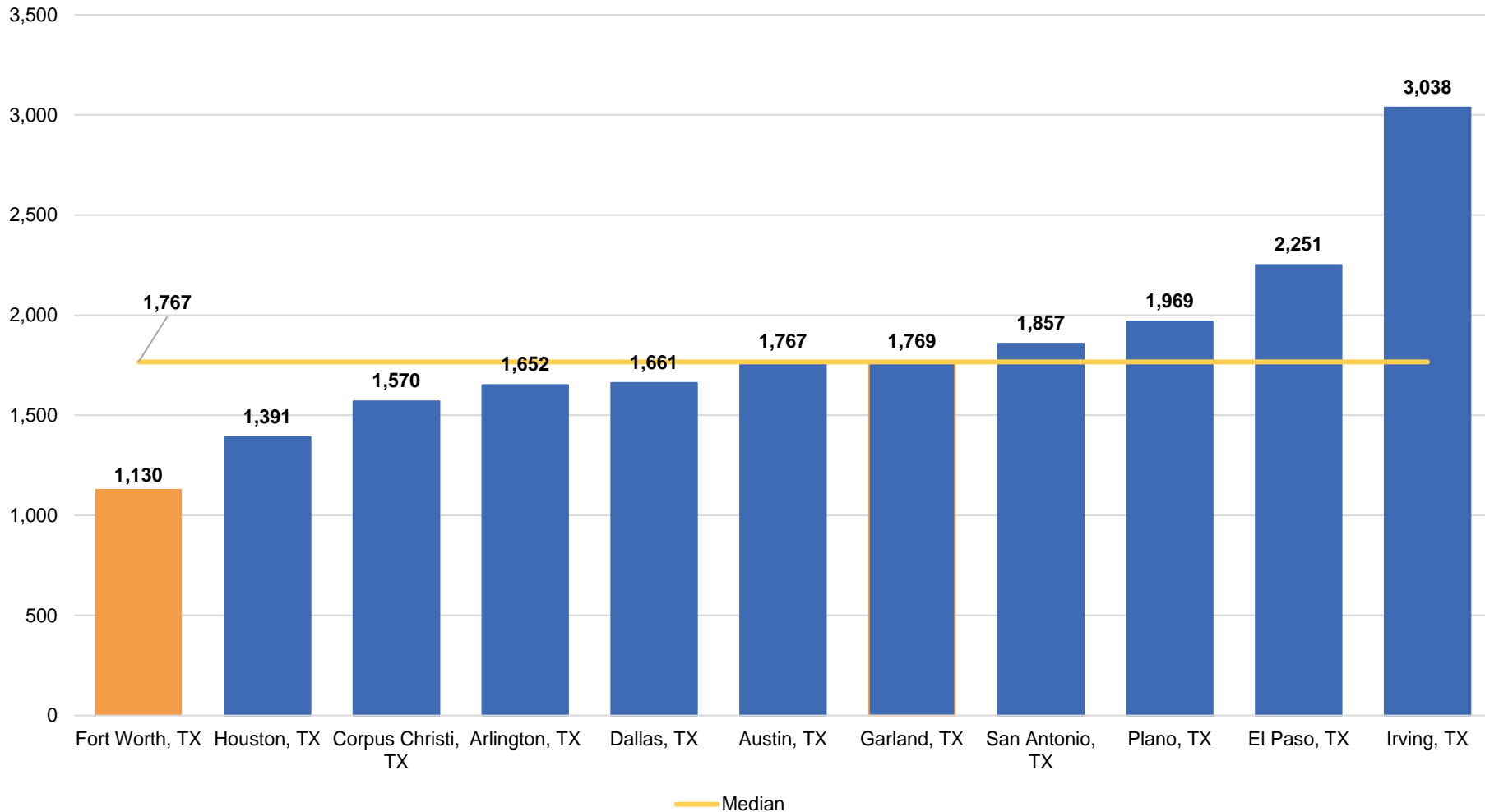
Available Fund Balance as a % of Revenue



Texas City MFRA Comparisons – Leverage (Part 1)



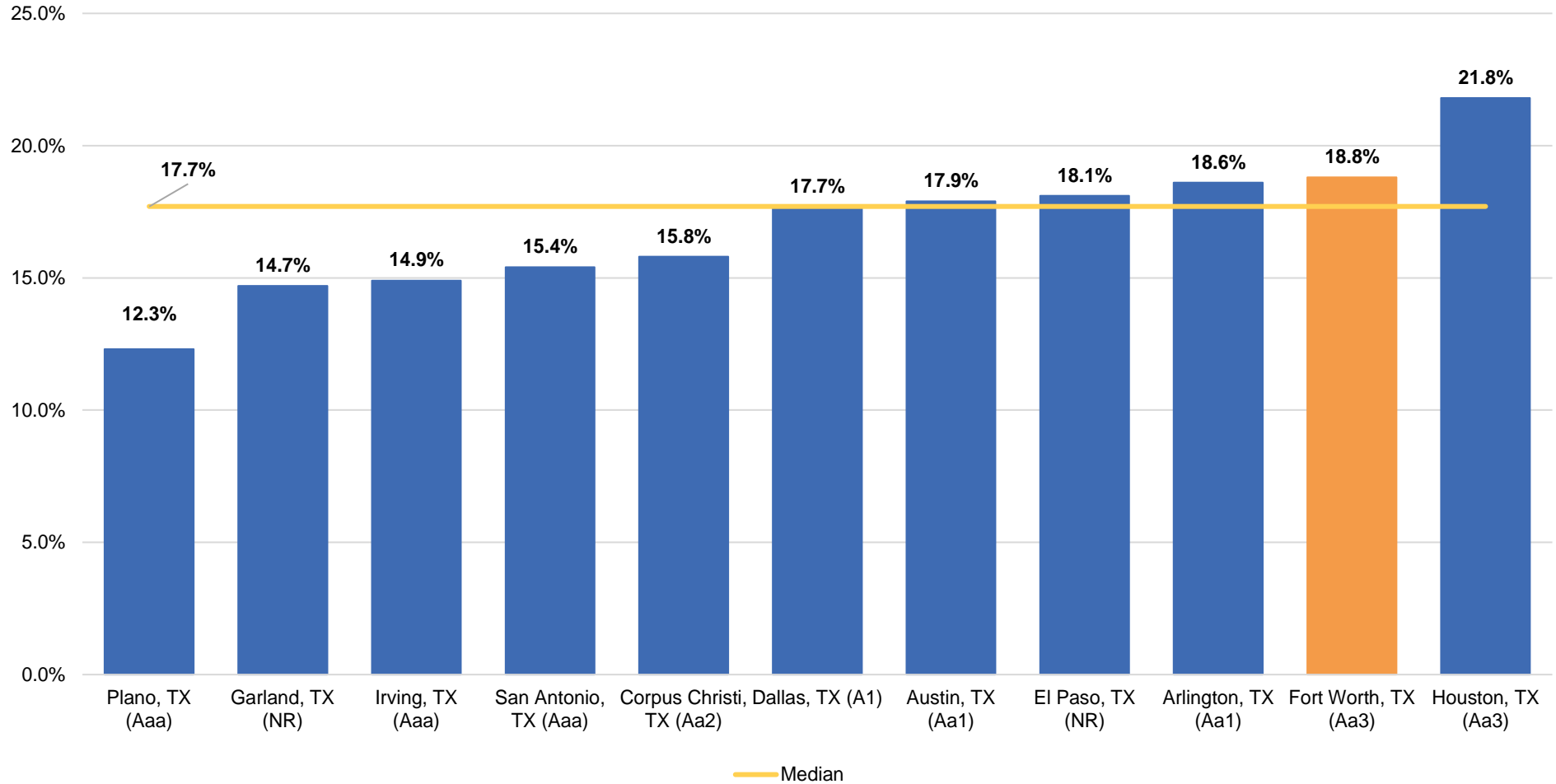
Outstanding Debt per Capita (\$)



Texas City MFRA Comparisons – Leverage (Part 2)



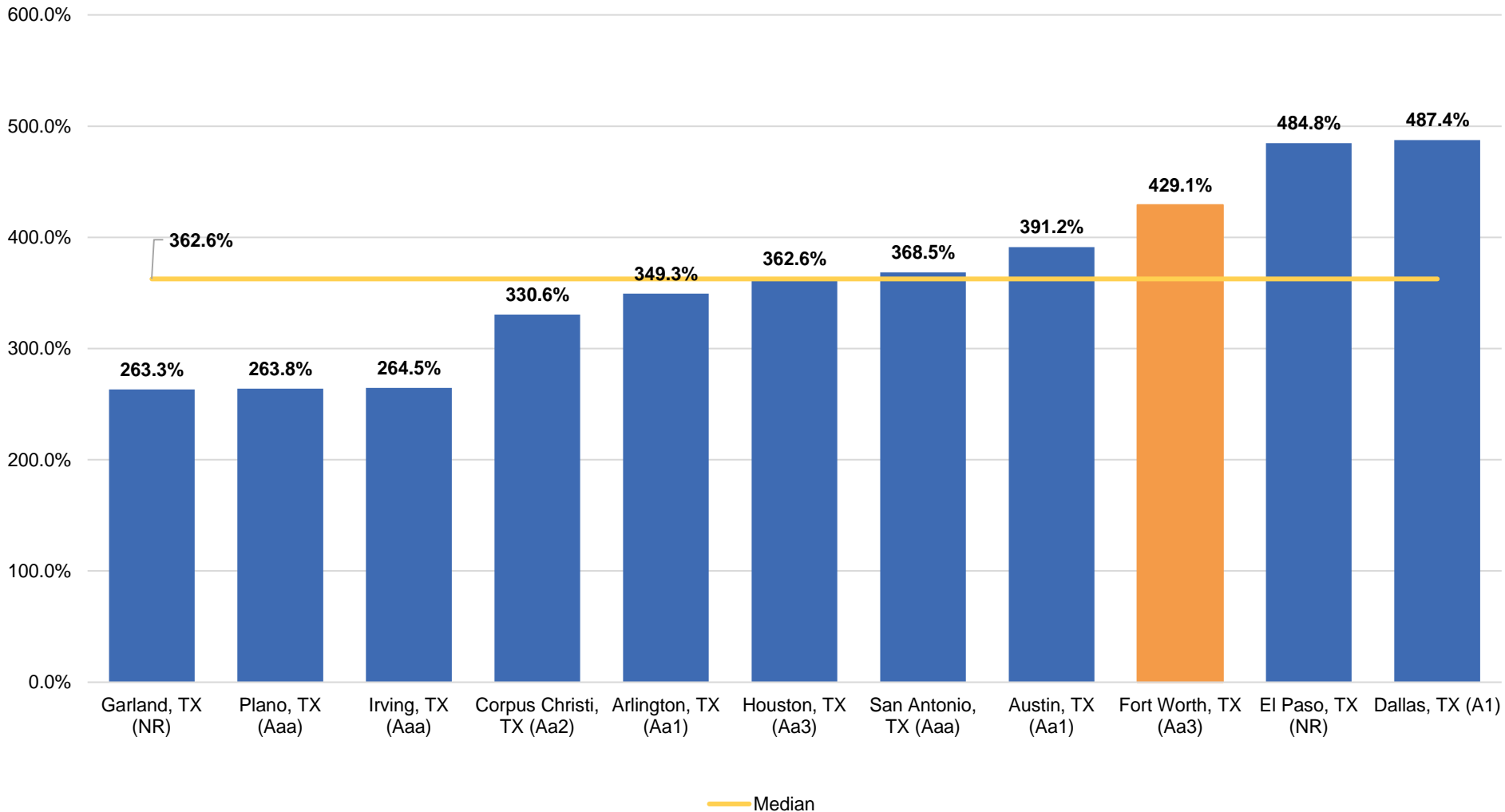
Fixed-Costs Ratio
Adjusted Fixed Costs / Revenue



Texas City MFRA Comparisons – Leverage (Part 3)



Long-term Liabilities Ratio



PFM's Estimated S&P Scorecard for Fort Worth



Factors & Subfactors	Weight	Pre-Issuance Est. Score ¹	Pre-Issuance Rating ² Category	Post-Issuance Est. Score ¹	Post-Issuance Est. ² Category
Institutional Framework Score	10%	2	Strong	2	Strong
Framework Score		AA		AA	
Economy	30%	1.5	Strong	1.5	Strong
Market Value per Capita		\$108,227		\$108,227	
Per Capita Effective Buying Income %		88.78%		88.78%	
Management	20%	1	Very Strong	1	Very Strong
Management Score					
Budgetary Flexibility	10%	1	Very Strong	1	Very Strong
Fund Balance as a % of Expenditures		25.45%		25.45%	
Budgetary Performance	10%	3	Adequate	3	Adequate
Total Governmental Funds Net Result		-5.79%		-5.79%	
General Fund Operating Balance to Operating Expenditures		0.09%		0.09%	
Liquidity	10%	1	Very Strong	1	Very Strong
Total Cash as a % of Total Governmental Funds Expenditures		121.68%		121.68%	
Total Cash as a % of Total Governmental Funds Debt Service		1095.25%		1095.25%	
Debt and Liability	10%	5	Very Weak	5	Very Weak
Net Direct Debt as a % of Total Governmental Funds Revenue		11.11%		11.70%	
Debt Service as a % of Expenditures		102.71%		140.10%	
Rating	100%	1.85	AA+	1.85	AA+

¹Debt outstanding as of January 12, 2024 per PFM Debt Model

²The estimated score reflects PFM calculations before any qualitative analyst notching or other considerations. PFM believes the City will receive a scorecard notch upwards in the Economy score for participation in a broad and diverse MSA, and a notch downward in Debt and Liability for a large unfunded pension.