CITY COUNCIL WORK SESSION
TUESDAY, JUNE 11, 2019
3:00 P.M.
CITY COUNCIL CONFERENCE ROOM, CITY HALL, ROOM 290
200 TEXAS STREET, FORT WORTH, TEXAS

1. Report of the City Manager - **David Cooke, City Manager**

   a. Changes to the City Council Agenda
   b. Upcoming and Recent Events
   c. Organizational Updates and Employee Recognition(s)
   d. Informal Reports
      IR 10237: Budget and Property Tax Setting Calendar and Schedule of Meetings

      IR 10238: Final Results of Rating Outcomes on Bonds within the 2019 Debt Plan

2. Current Agenda Items - **City Council Members**

3. Responses to Items Continued from a Previous Week

   a. M&C L-16203 - (Future Council District 7) - Authorize Execution of Municipal Services Agreement for the Proposed Owner-Initiated Annexation of Approximately 115.026 Acres of Land in Denton County, Located North of Intermodal Parkway and South of Highway 114 off of FM 156, in the Far North Planning Sector, AX-19-001 **(Continued from April 9, 2019 by Staff)**

   b. M&C L-16204 - (Future Council District 7) - Adopt Ordinance for the Owner-Initiated Annexation of Approximately 115.026 Acres of Land and 35.589 Acres of Right-of-Way in Denton County, Located North of Intermodal Parkway and South of Highway 114 off of FM 156, in the Far North Planning Sector, AX-19-001 **(Continued from April 9, 2019 by Staff)**

   c. ZC-19-039 - (COUNCIL DISTRICT 7) - M. T. Cole Family Partnership #2, NP-OV Fort Worth Project 1, 14500 - 15300 FM Road 156; From: Unzoned To: " K" Heavy Industrial 115.02 acres (Recommended for Approval by the Zoning Commission) **(Continued from April 9, 2019 by Staff)**

4. Briefing on Community Development Council's Recommended 2019-2020 Action Plan - **Barbara Asbury, Neighborhood Services and Jerome Johnson, Community Development Council**

5. Briefing on Fire Collective Bargaining Agreement - **David Cooke, City Manager's Office**

6. City Council Requests for Future Agenda Items and/or Reports

7. Executive Session (CITY COUNCIL CONFERENCE ROOM, CITY HALL, ROOM 290) - **SEE ATTACHMENT A**

Attachment(s):
Executive Session Agenda - Attachment A.pdf

CITY COUNCIL CONFERENCE ROOM, CITY HALL, ROOM 290, is wheelchair accessible. Persons with disabilities who plan to attend this meeting and who may need accommodations, auxiliary aids, or services such as interpreters, readers, or large print are requested to contact the City's ADA Coordinator at (817) 392-8552 or e-mail ADA@FortWorthTexas.gov at least 48 hours prior to the meeting so that appropriate arrangements can be made. If the City does not receive notification at least 48 hours prior to the meeting, the City will make a reasonable attempt to provide the necessary accommodations.

ATTACHMENT A
EXECUTIVE SESSION
CITY COUNCIL CONFERENCE ROOM
CITY HALL, ROOM 290
Tuesday, June 11, 2019

A. The City Council will conduct a closed meeting in order to discuss matters permitted by the following sections of Chapter 551 of the Texas Government Code:

CITY ATTORNEY

1. Section 551.071, CONSULTATION WITH ATTORNEY

   To seek the advice of its attorney about pending or contemplated litigation, settlement offers, or any matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act. [Tex. Govt. Code §551.071]:

   a. Legal issues regarding any item listed on today's City Council meeting agenda.

CITY MANAGER

1. Section 551.072, DELIBERATIONS REGARDING REAL PROPERTY

   Deliberate the purchase, sale, lease or value of real property where deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third party.

2. Section 551.087, DELIBERATIONS REGARDING ECONOMIC DEVELOPMENT NEGOTIATIONS

   Deliberate the commercial or financial information or the offer of a financial or other incentive to a business prospect.

B. The City Council may reconvene in open session in the City Council Conference Room and act on any item listed on the Executive Session Agenda in accordance with Chapter 551 of the Texas Government Code.

CITY COUNCIL AGENDA
FOR THE MEETING AT 7:00 P.M. TUESDAY, JUNE 11, 2019
CITY COUNCIL CHAMBER, CITY HALL
200 TEXAS STREET, FORT WORTH, TEXAS

I. CALL TO ORDER

II. INVOCATION - Pastor Randy Hardisty, Trinity Cumberland Presbyterian

III. PLEDGES OF ALLEGIANCE TO THE UNITED STATES AND THE STATE OF TEXAS (State of Texas Pledge: "Honor the Texas flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible.")

IV. CONSIDERATION OF MINUTES OF REGULAR MEETING OF THE CITY COUNCIL WORK SESSION AND REGULAR MEETING OF JUNE 4, 2019

V. ITEMS TO BE WITHDRAWN FROM THE CONSENT AGENDA

VI. ITEMS TO BE CONTINUED OR WITHDRAWN BY STAFF

VII. CONSENT AGENDA

Items on the Consent Agenda require little or no deliberation by the City Council. Approval of the Consent Agenda authorizes the City Manager, or his designee, to implement each item in accordance with staff recommendations.

A. General - Consent Items

1. M&C G-19551 - Adopt Appropriation Ordinance Correcting Certain Financial Accounts by Increasing the Estimated Receipts and Appropriations in the HUD Section 108 Loan Fund in the Amount of $28,539,931.80 (COUNCIL DISTRICTS 2 and 8)
2. M&C G-19552 - Adopt a Resolution Authorizing Execution of Amendment No. 1 to an Advance Funding Agreement with the Texas Department of Transportation for Purchase and Installation of Traffic Signal Communication Equipment for the Regional Traffic Signal Retiming Project (CSC No. 52111) to Increase the Number of Locations from 33 to 140 at no Additional Cost (ALL COUNCIL DISTRICTS)
3. M&C G-19553 - Adopt Water and Wastewater Capital Improvements Plan Citizen Advisory Committee Semi-Annual Progress Report (ALL COUNCIL DISTRICTS)

B. Purchase of Equipment, Materials, and Services - Consent Items

1. M&C P-12339 - Authorize Purchase Agreements with immixTechonology, Inc. for KRONOS Workforce TeleStaff On-Premise Software Licensing, Professional Services, Support and Maintenance Using a Cooperative Agreement with immixTechnology, Inc. in an Amount Not to Exceed $462,120.19 for the First Year and Four Renewal Options in an Annual Amount of $60,540.00 for the Information Technology Solutions Department (ALL COUNCIL DISTRICTS)

C. Land - Consent Items

1. M&C L-16226 - Authorize the Sale of City-Owned Surplus Property Located on the 2500 Block of Roberts Cut-Off Road to the City of River Oaks, for a Total Purchase Price of $19,478.00 (COUNCIL DISTRICT 7)

2. M&C L-16227 - Authorize Acquisition of a Drainage Facility Easement, Right of Way Easement and Temporary Construction Easement Rights in Approximately 1.861 Acres of Land from Property Owned by X Heritage Trace Village, LTD, Located in the Josiah Survey, Abstract No. 1600, Tarrant County, Fort Worth, Texas, for the Harmon Road - Golden Triangle Blvd to US 287 Project in the Amount of $844,600.00 and Pay Estimated Closing Costs in the Amount Up to $6,000.00, for a Total Cost of $850,600.00 (2018 Bond Program) (COUNCIL DISTRICT 7)

D. Planning & Zoning - Consent Items - None

E. Award of Contract - Consent Items

1. M&C C-29144 - Authorize Execution of Amendment No. 3 to City Secretary Contract No. 49326, a Professional Services Agreement with Brown & Gay Engineers, Inc. in an Amount Not to Exceed $600,000.00 and an Additional Term of 12 months for Staff Extension Services in Managing Transportation and Public Works Capital Projects (ALL COUNCIL DISTRICTS)

2. M&C C-29145 - Authorize Execution of Amendment No. 1 to City Secretary Contract No. 50902 to Increase the Ground Space of Lease Site 31N and Authorize Execution of a Consent to Leasehold Deed of Trust to Facilitate New Hangar Construction with Daniel Griffith, at Fort Worth Spinks Airport (COUNCIL DISTRICT 6)

3. M&C C-29146 - Authorize Execution of Amendment Number 1 to City Secretary Contract No. 48070 with Bermex, Inc. to Enable a Meter Reading System Upgrade, Update Pricing for a Total Contract Amount not to Exceed $2,931,600.00 and to Include One Additional Annual Renewal Option (ALL COUNCIL DISTRICTS)

4. M&C C-29147 - Authorize Execution of an Engineering Services Agreement with Halff Associates, Inc., in the Amount of $930,000.00 for Engineering-Related Professional Services for CentrePort Trail Phase I & Phase II (COUNCIL DISTRICT 5)

VIII. PRESENTATIONS BY THE CITY SECRETARY - CONSENT ITEMS

1. Notice of Claims for Alleged Damages and/or Injuries

IX. SPECIAL PRESENTATIONS, INTRODUCTIONS, ETC.

1. Presentation of Proclamation for LGBTQ Pride Month

X. ANNOUNCEMENTS BY CITY COUNCIL MEMBERS AND STAFF

1. Upcoming and Recent Events
2. Recognition of Citizens
3. Approval of Ceremonial Travel

XI. PRESENTATIONS BY THE CITY COUNCIL

1. Changes in Membership on Boards and Commissions

XII. PRESENTATIONS AND/OR COMMUNICATIONS FROM BOARDS, COMMISSIONS AND/OR CITY COUNCIL COMMITTEES

XIII. RESOLUTIONS

1. A Resolution Appointing Two Persons to the Board of Directors of Multipurpose Arena Fort Worth, A Texas Non-Profit Corporation
2. A Resolution Authorizing the City Manager to Develop and Implement the Plan for Closure and Re-purposing of Sycamore Creek Golf Course into a Community Park by October 1, 2019 (COUNCIL DISTRICT 8)

XIV. REPORT OF THE CITY MANAGER

A. Benefit Hearing - None

B. General

1. M&C G-19554 - Conduct Public Hearing to Consider Variance from Section 4-4 of the City Code to Allow Beer and Wine Sales for On-Premise Consumption at Bad Axe Throwing Located at 1200 E. Lancaster Avenue (COUNCIL DISTRICT 8) **(PUBLIC HEARING)**
   a. Report of City Staff
   b. Citizen Presentations
   c. Council Action

C. Purchase of Equipment, Materials, and Services - None

D. Land

1. M&C L-16203 - Authorize Execution of Municipal Services Agreement for the Proposed Owner-Initiated Annexation of Approximately 115.026 Acres of Land in Denton County, Located North of Intermodal Parkway and South of Highway 114 off of FM 156, in the Far North Planning Sector, AX-19-001 (FUTURE COUNCIL DISTRICT 7) **(Continued from a Previous Meeting)**
2. M&C L-16204 - Adopt Ordinance for the Owner-Initiated Annexation of Approximately 115.026 Acres of Land and 35.589 Acres of Right-of-Way in Denton County, Located North of Intermodal Parkway and South of Highway 114 off of FM 156, in the Far North Planning Sector, AX-19-001 (FUTURE COUNCIL DISTRICT 7) **(Continued from a Previous Meeting)**

E. Planning & Zoning - None

F. Award of Contract

1. M&C C-29148 - Authorize Execution of a Five-Year Tax Abatement Agreement with Patrick J. Wells for the Rehabilitation of a Single-Family Dwelling Located at 2941 Travis Avenue in Neighborhood Empowerment Zone Area 6 (COUNCIL DISTRICT 9)

2. M&C C-29149 - Authorize Execution of Contract with Stabile & Winn, Inc., in the Amount of $3,903,205.00 for FY 17 Round 3 of the Council District 9 Street Repair and Reconstruction Program and Near Southside Medical District Water and Sanitary Sewer Main Improvements on Various Streets, and Adopt Appropriation Ordinance (COUNCIL DISTRICT 9)

XV. ZONING HEARING

1. **ZC-19-039 - (CD 7) -** M. T. Cole Family Partnership #2, NP-OV Fort Worth Project 1, 14500 - 15300 FM Road 156; From: Unzoned To: "K" Heavy Industrial 115.02 acres **(Recommended for Approval by the Zoning Commission) (Continued from a Previous Meeting)**

XVI. CITIZEN PRESENTATIONS

XVII. EXECUTIVE SESSION (CITY COUNCIL CONFERENCE ROOM, CITY HALL, ROOM 290) - SEE ATTACHMENT B

Attachment(s):

Executive Session Agenda - Attachment B.pdf

XVIII. ADJOURNMENT

According to the City Council Rules of Procedures, individual citizen presentations shall be limited to three minutes, and group presentations shall be limited to six minutes. At the Mayor's discretion, time limits may be reasonably extended.

Fort Worth Council Chamber is wheelchair accessible. Persons with disabilities who plan to attend this meeting and who may need accommodations, auxiliary aids, or services such as interpreters, readers, or large print are requested to contact the City's ADA Coordinator at (817) 392-8552 or e-mail ADA@FortWorthTexas.gov at least 48 hours prior to the meeting so that appropriate arrangements can be made. If the City does not receive notification at least 48 hours prior to the meeting, the City will make a reasonable attempt to provide the necessary accommodations.

ATTACHMENT B
EXECUTIVE SESSION
CITY COUNCIL CONFERENCE ROOM
CITY HALL, ROOM 290
Tuesday, June 11, 2019

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CITY ATTORNEY

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CITY MANAGER

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B. The City Council may reconvene in open session in the City Council Conference Room and act on any item listed on the Executive Session Agenda in accordance with Chapter 551 of the Texas Government Code.

No Documents for this Section

Updated June 7, 2019

City of Fort Worth
City Council Work Session Agenda Calendar

June 11, 2019

Audit Committee (cancelled)
Infrastructure & Transportation Committee (cancelled)
3:00 p.m. City Council Work Session Meeting

Continued Items:

- **M&C L-16203 -** (Future Council District 7) **-** Authorize Execution of Municipal Services Agreement for the Proposed Owner-Initiated Annexation of Approximately 115.026 Acres of Land in Denton County, Located North of Intermodal Parkway and South of Highway 114 off of FM 156, in the Far North Planning Sector, AX-19-001 **(Continued from April 9, 2019 by Staff)**
- **M&C L-16204 -** (Future Council District 7) **-** Adopt Ordinance for the Owner-Initiated Annexation of Approximately 115.026 Acres of Land and 35.589 Acres of Right-of-Way in Denton County, Located North of Intermodal Parkway and South of Highway 114 off of FM 156, in the Far North Planning Sector, AX-19-001 **(Continued from April 9, 2019 by Staff)**
- **ZC-19-039 -** (COUNCIL DISTRICT 7) **-** M. T. Cole Family Partnership #2, NP-OV Fort Worth Project 1, 14500 - 15300 FM Road 156; From: Unzoned To: "K" Heavy Industrial 115.02 acres (Recommended for Approval by the Zoning Commission) **(Continued from April 9, 2019 by Staff)**

- Briefing on Community Development Council's Recommended 2019-2020 Action Plan ***[Barbara Asbury, Housing and Neighborhood Services and Jerome Johnson, Community Development Council]***
- Briefing on Fire Collective Bargaining Agreement ***[Valerie Washington, City Manager's Office]***

June 18, 2019

Fort Worth Housing Finance Corporation (Tentative)
2:00 p.m. Fort Worth Local Development Corporation
Central City Local Government Corporation
3:00 p.m. City Council Work Session Meeting

- Presentation on the 86th Texas Legislative End of Session Report ***[TJ Patterson, Government Relations and Kwame Walker, McGuireWoods Consulting]***
- Presentation on Fort Worth Botanic Garden Accessibility ***[Susan Alanis, City Manager's Office and Bob Byers, Fort Worth Botanic Garden]***
- Briefing on Customer Relationship Management ***[Michelle Gutt and Sharon Gamble, Communications and Public Engagement Department]***

June 18, 2019 ***(continued)***

- Briefing on New Asset Management System ***[Molly Hale, IT Solutions and Richard Martinez, Transportation and Public Works]***

June 25, 2019 ***Monthly Zoning Meeting (July)***

3:00 p.m. City Council Work Session

- Overview of Significant Zoning Cases ***[Dana Burghdoff, Planning and Development]***
- Pension Briefing ***[David Cooke, City Manager's Office and Kevin Gunn, Financial Management Services]***
- Enterprise Funds Fees and Rates Review ***[David Cooke, City Manager's Office, Brandon Bennett, Code Compliance, Greg Simmons, Transportation and Public Works Chris Harder, Water]***
- Update on Major Capital Improvement Projects ***[Jay Chapa, City Manager's Office]***

July 2, 2019 ***Summer Break***

3:00 p.m. City Council Work Session (cancelled)

July 4, 2019

City Hall Closed – July Fourth Holiday

July 9, 2019 ***Summer Break***

Legislative and Intergovernmental Affairs Committee (cancelled)
Housing and Neighborhood Services Committee (cancelled)
City Council Work Session (cancelled)

July 16, 2018 ***Summer Break***

Audit Committee (cancelled)
Infrastructure & Transportation Committee (cancelled)
3:00 p.m. City Council Work Session (cancelled)

Updated June 7, 2019

City of Fort Worth
City Council Work Session Agenda Calendar

July 23, 2019 ***Summer Break***

3:00 p.m. City Council Work Session (cancelled)

July 30, 2019 ***Summer Break***

3:00 p.m. City Council Work Session (cancelled)

August 6, 2019 ***Monthly Zoning Meeting***

1:00 p.m. Legislative and Intergovernmental Affairs Committee
2:00 p.m. Housing and Neighborhood Services Committee
3:00 p.m. City Council Work Session

Continued Items:

- **ZC-18-181 -** (COUNCIL DISTRICT 4 – Cary Moon) **-** Maricela Clemente, Clemente Auto Sales, 3510 - 3616 NE 28th Street; From: "B" two-Family and "E" Neighborhood Commercial To: PD/E Planned Development for all uses in "E" Neighborhood Commercial plus auto sales; site plan included with waivers to residential adjacency, rear and side yard setbacks and signage 1.71 acres (Recommended for Approval by the Zoning Commission) **(Continued from June 4, 2019 by Council Member Moon)**
- **ZC-19-044 -** (COUNCIL DISTRICT 9 – Ann Zadeh) **-** Speed Racer, LLC, 3111 Race Street, 3020 Murphy Street; From: "MU-1/DD" Low Intensity Mixed Use and "CF/DD" Community Facilities with Demolition Delay To: PD/MU-1 Planned Development for all uses in "MU-1" Low Intensity Mixed Use, retaining Demolition Delay, site plan required 2.89 acres (Recommended for Approval by the Zoning Commission) **(Continued from May 7, 2019 by Council Member Zadeh)**
- **ZC-19-063 -** (COUNCIL DISTRICT 2 – Carlos Flores) **-** Northwest Bible Church, Inc. 5029, 5033 Jacksboro Highway; From: "A-5" One-Family To: "E" Neighborhood Commercial 1.30 acres (Recommended for Approval by the Zoning Commission) **(Continued from June 4, 2019 by Council Member Flores)**

- Overview of Significant Zoning Cases ***[Dana Burghdoff, Planning and Development]***
- Presentation of the Recommended Fiscal Year 2020 Capital Budget ***[David Cooke, City Manager]***
- Report and Update on Iconic Art Projects ***[Martha Peters, Fort Worth Public Art and Robert Lee, Fort Worth Art Commission]***

August 6, 2019 (continued)

- Presentation on Economic Development Marketing & Messaging Initiative ***[Brenda Hicks-Sorensen, Economic Development]***
- Presentation on 2018 Incentive Review ***[Robert Sturns, Economic Development]***
- Briefing on Proposed Amendments to Human Relations Ordinance ***[Angela Rush, City Manager's Office]***
- Preventing Opioid Overdose ***[Ed Kraus, PD, Jim Davis, Fire/MedStar and Mattie Parker, Mayor's Office]***
- Update on Payday Lending Ordinance ***[Melinda Ramos, Law]***

August 13, 2019

11:00 a.m. Ad Hoc Municipal Court Advisory Committee
(CMO Conference Room 380)
1:00 p.m. Audit Committee
2:00 p.m. Infrastructure & Transportation Committee
3:00 p.m. City Council Work Session

- Update and Year One Review of Economic Development Strategic Plan Objectives ***[Robert Sturns, Economic Development and John Roberts, TIP Strategies]***
- Presentation and Update on Minority Chamber Initiatives ***[Robert Sturns, Economic Development, Dee Jennings, Fort Worth Metropolitan Black Chamber of Commerce, and John Hernandez, Fort Worth Hispanic Chamber of Commerce]***
- Presentation on the Recommended Fiscal Year 2020 Operating Budget ***[David Cooke, City Manager]***

August 20, 2019

2:00 p.m. Fort Worth Local Development Corporation
Central City Local Government Corporation
(Immediately following the LDC Meeting)
AllianceAirport Authority, Inc.
Lone Star Local Government Corporation
Fort Worth Crime Control and Prevention District Board of Directors Quarterly Meeting (Immediately Following City Council Work Session)
3:00 p.m. City Council Work Session

- Presentation on Small Assessment ***[Robert Sturns, Economic Development and Camion Associates]***

August 20, 2019 ***(continued)***

- Update on Proposed Redevelopment of Butler Place and Cavile Place ***[Mary-Margaret Lemons, Fort Worth Housing Solutions]***
- Presentation of Air B&B Regulation ***[Randle Harwood, Planning and Development, Brandon Bennett, Code Compliance and Melinda Ramos, Law]***

August 22, 2019 ***(Thursday)***

Budget Workshop (City Council Conference Room 290)

August 23, 2019 ***(Friday)***

Budget Workshop (City Council Conference Room 290)

August 27, 2019

3:00 p.m. City Council Work Session
Fort Worth Crime Control and Prevention District Board of Directors Quarterly Meeting (Tentative - Immediately Following City Council Work Session)

- Update on establishment of a Medical Innovation District ***[Brenda Hicks- Sorensen, Economic Development]***

City Council Meeting of June 4, 2019
Staff Action Tracking

Item #1	Update on Communication and Community Outreach strategies. How can we be proactive and not reactive?		
Due Date:	August 20, 2019	Council District:	5&9
Staff Action:	Presentation		
Responsibility:	Michelle Gutt – Communication and Public Engagement and MAttei Parker, Mayor's Office		

Item #2	Update on recent flooding events		
Due Date:	June 25, 2019	Council District:	8
Staff Action:	Presentation		
Responsibility:	Greg Simmons - Stormwater		

Item #3	Taxing Air B&Bs		
Due Date:	August 20, 2019 (Update on Air B&Bs is due that day)	Council District:	4
Staff Action:	Presentation		
Responsibility:	Randle Harwood – Planning and Development; Brandon Bennett, Code Compliance and Melinda Ramos, Law		

CITY OF FORT WORTH, TEXAS
CITY COUNCIL WORK SESSION
JUNE 4, 2019

Present:

Mayor Pro tem Dennis Shingleton, District 7
Council Member Carlos Flores, District 2
Council Member Brian Byrd, District 3
Council Member Cary Moon, District 4
Council Member Gyna Bivens, District 5
Council Member Jungus Jordan, District 6
Council Member Kelly Allen Gray, District 8 (arrived at 3:07pm)
Council Member Ann Zadeh, District 9

Absent:

Mayor Betsy Price

Staff Present:

David Cooke, City Manager
Sarah Fullenwider, City Attorney
Mary J. Kayser, City Secretary

With a quorum of the City Council Members present, Mayor Pro tem Shingleton called the Fort Worth City Council Work Session to order at 3:00 p.m. on Tuesday, June 4, 2019, in City Council Conference Room 290 of the Fort Worth City Hall, 200 Texas Street, Fort Worth, Texas.

1. Report of the City Manager – David Cooke, City Manager

a. Changes to the City Council Agenda

City Manager Cooke noted that several M&Cs would be pulled from the Consent Agenda due to speakers, and one will be pulled to make a correction.

b. Upcoming and Recent Events

There were no events announced.

c. Organizational Updates and Employee Recognition(s)

Police Chief Ed Kraus recognized the officers that took part in the recovery of the kidnapped child.

d. Informal Reports

1. IR 10279: Amendment No. 1 to Enhanced Community Facilities Agreement with American Airlines, Inc., to Extend the Completion Deadline

2. IR 10280: Automated Red Light Camera Enforcement Program
3. IR 10281: Criminal Trespass and Apparent Authority
4. IR 10282: Implementation of HIV/AIDS-Related Rental Assistance
5. IR 10283: Leave Benefits Study
6. IR 10284: Management Diversity Review
7. IR 10285: RFP for External Collections Services for Delinquent Civil Parking and Criminal Citations - City Manager Cooke will review and report back on the process decided on.

2. Current Agenda Items - City Council Members

There were no questions on current agenda items.

3. Responses to Items Continued from a Previous Week

a. ZC-19-018 - (COUNCIL DISTRICT 6 – Jungus Jordan) - Jerry Savelle Ministries, Inc., 1450, 10301, 10601 W. Cleburne Crowley Road, 10700 Old Cleburne Crowley Road; From: Unzoned To: "A-5" One-Family 45.55 acres (Recommended for Denial W/O Prejudice by the Zoning Commission) (Continued from May 7, 2019, by Council Member Jordan) This item is moving forward.

4. Overview of Significant Zoning Cases – Dana Burghdoff, Planning and Development

Ms. Dana Burghdoff, Planning and Development Department, provided an overview of significant zoning cases.

5. Update on Neighborhood Improvement Program – Sonia Singleton, Neighborhood Services Department

Ms. Sonia Singleton, Neighborhood Services Department, provided an update on the Neighborhood Improvement Program outlining the activities and progress in all the target areas.

6. Briefing on Re-Purposing of Sycamore Creek Golf Course to a Community Park – David Creek, Park and Recreation Department

Mr. David Creek, Park and Recreation Department, gave a briefing on the re-purposing of Sycamore Creek Golf Course to a Community Park.

7. Presentation on Regulation of Game Rooms - Chris Mosley, Law Department and Ty Hadsell, Police Department

Mr. Chris Mosley, Law Department, and Mr. Ty Hadsell, Police Department, gave a brief presentation on the regulation of game rooms.

8. Health Plan Update - Brian Dickerson, Human Resources

Mr. Brian Dickerson, Human Resources Department, provided an update on the health plan.

9. City Council Requests for Future Agenda Items and/or Reports

Council Members Bivens and Zadeh – update on communication and community outreach strategies.

Council Member Allen Gray – Update on the flooding over the weekend of May 31 – June 2.

Council Member Moon – Taxing Air B&Bs

10. Executive Session (CITY COUNCIL CONFERENCE ROOM, CITY HALL, ROOM 290)

There was no need for an Executive Session.

There being no further business to come before the City Council Mayor Pro tem Shingleton adjourned the meeting at 5:10 pm.

These minutes approved by the Fort Worth City Council on the 11th day of June, 2019.

Attest:	Approved:
Mary J. Kayser	Betsy Price
City Secretary	Mayor

CITY OF FORT WORTH, TEXAS
REGULAR CITY COUNCIL MEETING
JUNE 4, 2019

Present:

Mayor Pro tem Dennis Shingleton, District 7
Council Member Carlos Flores, District 2
Council Member Brian Byrd, District 3
Council Member Cary Moon, District 4
Council Member Gyna Bivens, District 5
Council Member Jungus Jordan, District 6
Council Member Kelly Allen Gray, District 8
Council Member Ann Zadeh, District 9

Absent:

Mayor Betsy Price

Staff Present:

David Cooke, City Manager
Sarah Fullenwider, City Attorney
Mary J. Kayser, City Secretary

I. CALL TO ORDER

With a quorum of the City Council Members present, Mayor Pro tem Shingleton called the regular session of the Fort Worth City Council to order at 7:02 p.m. on Tuesday, June 4, 2019, in the City Council Chamber of the Fort Worth City Hall, 200 Texas Street, Fort Worth, Texas.

II. INVOCATION – Priest Sri Murali Krishma, Hindu Temple of Greater Fort Worth

The invocation was provided by Priest Sri Murali Krishma, Hindu Temple of Greater Fort Worth.

III. PLEDGES OF ALLEGIANCE TO THE UNITED STATES AND THE STATE OF TEXAS

The Pledges of Allegiance to the United States of America and the State of Texas were recited.

IV. CONSIDERATION OF THE MINUTES OF THE CITY COUNCIL WORK SESSION OF MAY 14, 2019, THE CITY COUNCIL WORK SESSION AND REGULAR MEETING OF MAY 21, 2019, AND THE SPECIAL CALLED MEETING OF MAY 28, 2019

Motion: Council Member Bivens made a motion, seconded by Council Member Flores, that the minutes of the City Council Work Session of May 14, 2019, the City Council Work Session and Regular Meeting of May 21, 2019, and the Special Called Meeting of May 28, 2019, be approved. Motion passed 8-0, Mayor Price absent.

V. ITEMS TO BE WITHDRAWN FROM THE CONSENT AGENDA

City Manager Cooke requested that Mayor and Council Communications G-19547, G-19548, P-12330 and L-16222 be removed from the Consent Agenda for individual consideration.

VI. ITEMS TO BE CONTINUED OR WITHDRAWN BY STAFF

There were no items to be continued or withdrawn by staff.

VII. CONSENT AGENDA

Motion: Council Member Allen Gray made a motion, seconded by Council Member Jordan, that the Consent Agenda be approved as amended. Motion passed 8-0, Mayor Price absent

A. General - Consent Items

3. M&C G-19549 - Authorize Temporary Closure of a Section of Litsey Road from Cleveland Gibbs to Elizabethtown Cemetery Road from June 15, 2019, to November 1, 2019, to Allow for Construction of an 8-inch Sanitary Sewer Line (COUNCIL DISTRICT 2)

B. Purchase of Equipment, Materials, and Services - Consent Items

2. M&C P-12331 - Authorize One-Time Purchase of a Reagent-Free Ion Chromatography System from Thermo Electron North America LLC in a Total Amount of Up to $140,000.00 for the Water Department (ALL COUNCIL DISTRICTS)

3. M&C P-12332 - Authorize Purchase Agreement with Clean Earth Systems, Inc. for Drums and Pails and Related Accessories for the Storage, Clean Up and Transportation of Chemicals in an Initial Annual Amount of Up to $175,000.00 and Authorize Five Renewal Options in an Annual Amount of Up to $225,000.00 for all City Departments (ALL COUNCIL DISTRICTS)

4. M&C P-12333 - Authorize Rejection of All Responses to Invitation to Bid 19-0088 for the Re-Lamping and Maintenance of Communication Towers for the Information Technology Solutions Department (ALL COUNCIL DISTRICTS)

5. M&C P-12334 - Authorize Purchase of an Excavator with Mulcher from ROMCO Equipment Co., LLC, in an Amount Up to $229,806.00 for the Water Department through the Property Management Department (ALL COUNCIL DISTRICTS)

6. **M&C P-12335 - Authorize Agreement with Texas Highway Products, LTD., in an Amount Up to $1,000,000.00 Using a Cooperative Contract for an Advance Traffic Management System and Related Services for the Transportation and Public Works Department and Adopt Appropriation Ordinance No. 23678-06-2019 (2018 Bond Program) (ALL COUNCIL DISTRICTS)**

7. **M&C P-12336 - Authorize Execution of Contract Amendment No. 7 to City Secretary Contract No. 43436 with International Consulting Acquisition Corporation d/b/a STA Consulting in an Amount Not to Exceed $340,400.00 to Continue Providing ERP System Support, Project Delivery Assistance and Robotic Process Automation (ALL COUNCIL DISTRICTS)**

8. **M&C P-12337 - Authorize a Cooperative Purchase Agreement for Audio/Visual Equipment and Related Services with AVI Systems, Inc., in an Amount Up to $107,217.98 for the First Year and Authorize Four One-Year Renewal Options in an Amount Not to Exceed $4,660.00 Per Year for the Information Technology Solutions and Fort Worth Police Departments Using Grant Funds (ALL COUNCIL DISTRICTS)**

9. **M&C P-12338 - Authorize Execution of a Service Agreement with Data Integrators, Inc. for the Printing and Mailing of City Code Notices for the Code Compliance Department in an Annual Amount Up to $190,000.00 and Authorize Four Annual Renewal Options (ALL COUNCIL DISTRICTS)**

C. Land - Consent Items

1. **M&C L-16220 - Adopt Ordinance No. 23679-06-2019 Amending Chapter 31 Subdivision Ordinance to Incorporate Active Transportation Plan, Community Facility Agreement Ordinance, and Infrastructure Design Manuals, and to Improve Pedestrian Access and Connectivity (ALL COUNCIL DISTRICTS)**

2. **M&C L-16221 - Authorize Execution of a Lease Agreement with International Auto Logistics, LLC for Use of the Parking Lot Located at the Alliance Fort Worth Maintenance Facility, 2100 Eagle Parkway, Fort Worth, Texas 76177 (COUNCIL DISTRICT 7)**

4. **M&C L-16223 - Authorize the Conveyance of a Temporary Construction Easement for $300.00 to Trinity River Authority of Texas on City-Owned Property Located in the 1000 Block of Litsey Road, Franklin Huston Survey, Abstract No. 597, for the Henrietta Creek Interceptor Project for a Total of 0.0347 Acres of Land in the City of Fort Worth, Denton County, Texas (COUNCIL DISTRICT 7)**

E. Award of Contract - Consent Items

1. **M&C C-29134 - Authorize Execution of a Communications System Agreement with the City of Azle for Participation in the City of Fort Worth's Two-Way Public Safety Radio System at No Cost to the City of Fort Worth (ALL COUNCIL DISTRICTS)**

2. **M&C C-29135 - Authorize Execution of a Community Facilities Agreement with AMCAL Equities, LLC, with City Participation in an Amount Not to Exceed $2,253,220.23 for the Design and Construction of Roadway Improvements for North Beach Street from SH 170 East Bound main Lanes to Westport Parkway (aka Keller-Haslet Road) and Adopt Appropriation Ordinance Nos. 23680-06-2019 and 23681-06-2019 (COUNCIL DISTRICT 7)**

3. **M&C C-29136 - Authorize Execution of an Easement Encroachment Agreement with Stockyards Station Hotel II, LLC for the Construction of a Proposed Elevated Structure over an Existing Drainage Easement Owned by the City Located at 130 E. Exchange Avenue (COUNCIL DISTRICT 2)**

4. **M&C C-29137 - Authorize Execution of an Agreement with FirstService Residential, Inc., in the Amount of $4,080.00 to Manage Public Improvement District 12, Chapel Hill PID, for a Portion of Fiscal Year 2018-2019 (COUNCIL DISTRICT 7)**

5. **M&C C-29138 - Authorize a Change in Use and Expenditure of Additional HOME Investment Partnerships Program Grant Funds in the Amount of $95,356.00 to Housing Channel for a Total Amount of $402,500.00 in the Form of a Subordinate Forgivable Loan for the Riverside Single Family Infill Development Located in the United Riverside Neighborhood, Authorize Execution of Contracts, Authorize Substantial Amendment to the City's 2016-2017 Action Plan, and Authorize the Substitution of Funding Years (COUNCIL DISTRICT 8)**

6. **M&C C-29139 - Authorize Execution of Change Order No. 1 in the Amount of $169,500.00 to City Secretary Contract No. 51257, with Select Striping, LLC for a Total Revised Contract Cost of $1,110,178.00 and the Addition of 60 Calendar Days, for Concrete Restoration along Western Center Boulevard (COUNCIL DISTRICT 4)**

7. **M&C C-29140 - Authorize Execution of an Engineering Services Agreement with James DeOtte Engineering, Inc., in an Amount Not to Exceed $728,560.00 for the Greenfield Acres Phase 3 Storm Drain Improvements Project (COUNCIL DISTRICT 2)**

8. **M&C C-29141 - Authorize the Execution of Individual Contracts with EAR Telecommunications, LLC d/b/a EAR TC, and Siemens Mobility, Inc., Each in the Amount of $750,000.00, and Adopt Appropriation Ordinance No. 23682-06-2019 (ALL COUNCIL DISTRICTS)**

9. **M&C C-29142 - Ratify the Application for, and Authorize the Acceptance of, if Awarded, the Fiscal Year 2019 DNA Capacity Enhancement and Backlog Reduction Program Grant in an Amount Not to Exceed $400,000.00 from the U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, and Authorize Execution of Related Agreement (ALL COUNCIL DISTRICTS)**

10. **M&C C-29143 - Authorize Execution of an Engineering Agreement with Lockwood Andrews & Newnam, Inc., in the Amount of $897,816.00 for Design of Sycamore Creek Sanitary Sewer Relief Interceptor, Phase 3 from Vickery Boulevard to Cobb Park Drive, Provide for Staff Costs, Property Acquisition and Utility Coordination for a Total Project Amount of $1,510,016.00, Adopt Resolution No. 5093-06-2019 Expressing Official Intent to Reimburse Expenditures with Proceeds of Future Debt and Adopt Appropriation Ordinance No. 23683-06-2019 (COUNCIL DISTRICT 8)**

VIII. PRESENTATIONS BY THE CITY SECRETARY - CONSENT ITEMS

1. **Notice of Claims for Alleged Damages and/or Injuries**

End of Consent Agenda.

A. General – Removed from Consent Agenda

1. **M&C G-19547 - Adopt Appropriation Ordinance Increasing Estimated Receipts and Appropriations in the Hemphill/Berry Urban Village Streetscape Project in the Amount of $19,000.00 from the 2014 Bond Program Unspecified Fund and Reduce Funds in the 2014 Bond Program Unspecified Fund by the Same Amount (COUNCIL DISTRICT 9)**

Mr. Erik Richerson, 3318 South Jennings Avenue, appeared before Council undecided relative to Mayor and Council Communication G-19547.

Mayor Pro tem Shingleton directed Mr. Richerson to meet with Assistant City Manager Jay Chapa after the meeting.

Motion: Council Member Zadeh made a motion, seconded by Council Member Bivens, that Mayor and Council Communication G-19547 be approved and Appropriation Ordinance No. 23684-06-2019 be adopted. Motion passed 8-0, Mayor Price absent.

2. M&C G-19548 - Adopt Resolution Authorizing an Increase of $85,000.00 in the Total Amount to be Paid to the Law Firm of Kelly Hart & Hallman, LLP, as Outside Legal Counsel for Legal Matters Regarding Environmental Conditions and Related Issues in Connection with Property Located in the Vicinity of the Brennan Avenue Service Center For a Total Amount of $170,000.00 (ALL COUNCIL DISTRICTS)

Ms. Lasondra Huggins, 8504 Ohara Lane, completed an undecided speaker card relative to Mayor and Council Communication G-19548 and was recognized by Mayor Pro tem Shingleton but was not present in the Council Chamber.

Motion: Council Member Bivens made a motion, seconded by Council Member Flores, that Mayor and Council Communication G-19548 be approved and Resolution 5094-06-2019 be adopted. Motion passed 8-0, Mayor Price absent.

B. Purchase of Equipment, Materials, and Services – Removed from Consent Agenda

1. M&C P-12330 - Authorize Purchase Agreements with GTS Technology Solutions, Inc., for Technology Services for the Information Technology Solutions Department, Using Cooperative Contracts in an Annual Amount Up To $580,000.00 (ALL COUNCIL DISTRICTS)

Motion: Council Member Moon made a motion, seconded by Council Member Bivens, that Mayor and Council Communication P-12330 be approved as amended to change the first paragraph of the Discussion section to read as follows:

The Information Technology Solutions (ITS) Department will use these purchase Agreements for technology services to include configuring and deploying new and replacement desktop/laptop hardware and audio visual support services to all City departments using State of Texas Department of Information Resources (DIR) contract DIR-TSO-3655.

Motion passed 8-0, Mayor Price absent.

C. Land – Removed from Consent Agenda

3. M&C L-16222 - Authorize Direct Sale of Two Tax-Foreclosed Properties Located at 2808 Lee Ave for a Total Cost of $25,536.07 to Veronica Rojo, in Accordance with Section 34.05 of the Texas Property Tax Code (COUNCIL DISTRICT 2)

Ms. Lasondra Huggins, 8504 Ohara Lane, completed an undecided speaker card relative to Mayor and Council Communication L-16222 and was recognized by Mayor Pro tem Shingleton but was not present in the Council Chamber.

Motion: Council Member Flores made a motion, seconded by Council Member Moon, that Mayor and Council Communication L-16222 be approved. Motion passed 8-0, Mayor Price absent.

IX. SPECIAL PRESENTATIONS, INTRODUCTIONS, ETC.

There were no special presentations, introductions, etc.

X. ANNOUNCEMENTS BY CITY COUNCIL MEMBERS AND STAFF

1. Upcoming and Recent Events

Mayor Pro tem Shingleton and Council Members Flores, Bivens, Jordan, Allen Gray, and Zadeh announced upcoming and recent events within the City and various Council districts.

2. Recognition of Citizens

There was no recognition of citizens.

3. Approval of Ceremonial Travel

Motion: Council Member Bivens made a motion, seconded by Council Member Byrd, that Council Member Flores's trip to Denver, Colorado, for the American Water Works Association (AWWA) 2019 Annual Conference and Exposition from June 8, 2019, to June 12, 2019, be approved. Motion passed 8-0, Mayor Price absent.

XI. PRESENTATIONS BY THE CITY COUNCIL

1. Changes in Membership on Boards and Commissions

There were no changes on boards and commissions.

XII. PRESENTATIONS AND/OR COMMUNICATIONS FROM BOARDS, COMMISSIONS AND/OR CITY COUNCIL COMMITTEES

There were no presentations and/or communications from boards, commissions, and/or City Council committees.

XIII. RESOLUTIONS

1. Authorization to Initiate Zoning Change for Creation of Stop Six Design Overlay District and Standards for Single-Family Development

Motion: Council Member Bivens made a motion, seconded by Council Member Moon, that Resolution No. 5095-06-2019 be adopted. Motion passed 8-0, Mayor Price absent.

XIV. ZONING HEARING

The Notice of Special Hearing set today as the date for the hearing in connection with recommended changes and amendments to Zoning Ordinance No. 21653-02-2015 hearing had been given by publication in the *Fort Worth Star-Telegram*, the official newspaper of the City of Fort Worth, on May 17, 2019.

Mayor Pro tem Shingleton opened the public hearing.

1. ZC-18-181 - (CD 4) - Maricela Clemente, Clemente Auto Sales, 3510 - 3616 NE 28th Street; From: "B" two-Family and "E" Neighborhood Commercial To: PD/E Planned Development for all uses in "E" Neighborhood Commercial plus auto sales; site plan included with waivers to residential adjacency, rear and side yard setbacks and signage 1.71 acres (Recommended for Approval by the Zoning Commission)

Mr. Joshua Anderson, 104 South Walnut Street, Weatherford, Texas, appeared before Council in support of Zoning Docket ZC-18-181.

Motion: Council Member Moon made a motion, seconded by Council Member Bivens, that Zoning Docket ZC-18-181 be continued to the August 6, 2019, Council meeting. Motion passed 8-0, Mayor Price absent.

The City Council, at its meeting of May 7, 2019, continued Zoning Docket ZC-19-018:

2. ZC-19-018 - (CD 6) - Jerry Savelle Ministries, Inc., 1450, 10301, 10601 W. Cleburne Crowley Road, 10700 Old Cleburne Crowley Road; From: "AG" Agricultural To: "A-5" One-Family 45.55 acres (Recommended for Denial W/O Prejudice by the Zoning Commission) (Continued from a Previous Meeting)

Mr. Travis Clegg, 4020 Volk Court, appeared before Council in support of Zoning Docket ZC-19-018.

The following individuals appeared before Council in opposition to Zoning Docket ZC-19-018.

Ms. Misty Harris, 10241 East Rancho Diego Lane, Crowley, Texas
Mr. Chris Berardi, 10245 East Rancho Diego Lane

Motion: Council Member Jordan made a motion, seconded by Council Member Bivens, that Zoning Docket ZC-19-018 be approved as amended for “PD-A5” for all uses in “A-5” plus development standards to limit homes along the abutting western and southern boundaries of Panther Heights to a single-story, and to require the existing tree line to be maintained along the shared property line with a privacy fence to be constructed of durable composite board with top and bottom rails, or other material (galvanized, powder coated), with a projected life expectancy of 25 years or more; site plan waived. Motion passed 8-0, Mayor Price absent.

3. ZC-19-023 - (CD 7) - Schwob Building Company, LTD, 15500 block FM 156; From: "AG/AO" Agricultural/Alliance Airport Overlay To: "K/AO" Heavy Industrial/Alliance Airport Overlay 12.41 acres (Recommended for Approval by the Zoning Commission)

Mr. Travis Clegg, 4020 Volk Court, completed a speaker card in support of Zoning Docket ZC-19-023 and was recognized by Mayor Pro tem Shingleton but did not wish to address Council.

Motion: Council Member Jordan made a motion, seconded by Council Member Flores, that Zoning Docket ZC-19-023 be approved. Motion passed 8-0, Mayor Price absent.

4. ZC-19-050 - (CD 7) - Victory at Heritage LLC, 9835 Chloe Creek Drive; From: "G" Intensive Commercial/I-35 Overlay To: PD/G Planned Development for all uses in "G" Intensive Commercial plus hotel site plan included 2.82 acres (Recommended for Approval as Amended by the Zoning Commission with revised site plan depicting development standards)

Mr. Patrick Filson, 4821 Merlot Avenue, Grapevine, Texas, appeared before Council in support of Zoning Docket ZC-19-050.

Motion: Council Member Jordan made a motion, seconded by Council Member Allen Gray, that Zoning Docket ZC-19-050 be approved with revised site plan depicting development standards. Motion passed 8-0, Mayor Price absent.

5. ZC-19-055 - (CD 2) - Mario Santiesteban, 2802 Chestnut Avenue; From: "A-5" One-Family To: "E" Neighborhood Commercial (applicant request), "ER" Neighborhood Commercial Restricted (Zoning Commission recommendation) 0.167 acres (Recommended for Approval as Amended by the Zoning Commission for "ER")

Motion: Council Member Flores made a motion, seconded by Council Member Bivens, that Zoning Docket ZC-19-055 be approved as amended for "ER" Neighborhood Commercial/Restricted. Motion passed 8-0, Mayor Price absent.

6. ZC-19-057 - (CD 8) - City of Fort Worth Planning and Development: United Riverside Neighborhood, Generally bounded by the Airport Freeway (SH 121), Riverside Drive and the Trinity River; From: "O-1" Floodplain; "A-5" One-Family; "B" Two-Family; "D" Multifamily; "ER" Neighborhood Commercial Restricted, "E" Neighborhood Commercial, "E/HC" Neighborhood Commercial/Historical Overlay, "FR" General Commercial Restricted, "F" General Commercial, "G" Intensive Commercial; "I" Light Industrial, "J" Medium Industrial, "K" Heavy Industrial, and PDs 99, and 335 Planned Developments To: "O-1" Floodplain; "A-5" One-Family; "A-5/HC" One-Family/ Historical Overlay; "CF" Community Facilities; "MU-1" Low Intensity Mixed-Use; "ER" Neighborhood Commercial Restricted; "ER/HC" Neighborhood Commercial Restricted /Historical Overlay, "E" Neighborhood Commercial; "FR" General Commercial Restricted"; "G" Intensive Commercial; "I" Light Industrial, "J" Industrial; and new PD for I uses excluding: alcohol package store for off-premise consumption, bar, auto repair, auto sales, pawn shop, tattoo parlor, outdoor kennel, batch plant for asphalt or concrete, or games rooms as a primary use and to allow outdoor sales and storage, requiring painting in front of the building and planting red tip photinias in front of the eastern fence; site plan waiver recommended 400.72 acres (Recommended for Approval as Amended by the Zoning Commission for 2800 Nies St. "B"; 2400 & 2500 E. 4th St., 309, 311, 313 Rayner "F"; 3000 Airport Freeway "G" and 1720 Riverside to PD/I to allow outdoor sales and storage to require painting in front of the building and plant red tip photinias in front of eastern fence)

The following individuals appeared before Council in support of Zoning Docket ZC-19-057:

Mr. Justin Light, 500 West 7th Street, Suite 600
Ms. Phyllis Allen, 2707 Ennis Avenue
Ms. Audrey Prince, 2608 Ennis Avenue

The following individuals completed comment cards in support of Zoning Docket ZC-19-057:

Ms. Sarah Walker, 2767 East 1st Street
Mr. Clarence Williams, 2761 East 1st Street

The following individuals appeared before Council in opposition to Zoning Docket ZC-19-057:

Mr. James A. Ward III, 1740 Martel Avenue
Mr. Christopher Bonilla, 3800 Byers Avenue

Motion: Council Member Allen Gray made a motion, seconded by Council Member Byrd, that Zoning Docket ZC-19-057 be approved as amended for 2800 Nies Street “B”; 2400 and 2500 East 4th Street, 309, 311, and 313 Rayner “F”; 3000 Airport Freeway “G” and 1720 Riverside to “PD/I” to allow outdoor sales and storage to require painting in front of the building and plant red tip photinias in front of eastern fence. Motion passed 8-0, Mayor Price absent.

7. ZC-19-063 - (CD 2) - Northwest Bible Church, Inc. 5029, 5033 Jacksboro Highway; From: "A-5" One-Family To: "E" Neighborhood Commercial 1.30 acres (Recommended for Approval by the Zoning Commission)

Mr. J.R. Olmstead, 2315 Westbrook Avenue, appeared before Council in support of Zoning Docket ZC-19-063.

Ms. Jenna Young, 5104 Circle Ridge Drive West, appeared before Council in opposition to Zoning Docket ZC-19-093 and provided handouts.

Motion: Council Member Flores made a motion, seconded by Council Member Zadeh, that Zoning Docket ZC-19-063 be continued to the August 6, 2019, Council meeting. Motion passed 8-0, Mayor Price absent.

8. ZC-19-064 - (CD 9) - 2925 Race, LLC 2919, 2929, 3005, 3007, 3009 Race Street; 3000, 3004, 3008 McLemore Avenue; From: "MU-1" Low Intensity Mixed-Use and PD 1181 "PD/MU-1" Planned Development for all uses in "MU-1" Low Intensity Mixed-Use plus bar/tavern; site plan waived To: Amend PD 1181 "PD/MU-1" Planned Development for all uses in "MU-1" Low Intensity Mixed-Use plus bar/tavern to add additional property; site plan waiver recommended 1.41 acres (Recommended for Approval by the Zoning Commission)

The following individuals completed speaker cards in support of Zoning Docket ZC-19-064 and were recognized by Mayor Pro tem Shingleton but did not wish to address Council:

Mr. Chad Colley, 601 Blandin Street, Dallas, Texas
Mr. Pretlow Riddick, 2925 Race Street

Motion: Council Member Zadeh made a motion, seconded by Council Member Flores, that Zoning Docket ZC-19-064 be approved. Motion passed 8-0, Mayor Price absent.

9. ZC-19-065 - (CD 8) - Fort Worth Everman/Risinger Development, LLC 229 & 249 W Everman Parkway; From: "A-5" One-Family and "F" General Commercial To: PD/I Planned Development for all uses in "I" Light Industrial excluding truck wash, truck terminal, batch plant, outdoor kennels plus outdoor storage with the following development standards:

- **30’ landscape buffer to be provided along north property line, to include trees planted every 40’**
- **Contiguous landscape buffer to be provided along Everman Parkway, including shrubs in addition to the planted trees**
- **Truck and trailer storage to be allowed, if truck and trailer storage is visible from residential property line, an 8’ masonry wall with columns shall be provided between residential and storage**
- **If building is between trailer and truck storage and the residential property line, no masonry wall required**
- **No outdoor storage, other than trucks and trailers**
- **Any building within 100’ of Everman ROW must not have any bay doors facing Everman Parkway Exterior portions and/or facades shall use colors consisting of a neutral color, trim and building may be a different neutral color**
- **Exterior entrances shall consist of 25’0’ high solar film glass, smooth and scored painted concrete walls, painted cornice at top of wall and 3’0’ deep by 2’0’ high composite aluminum canopy**
- **Any outdoor lighting within 150’ of a residential property line shall not create an ambient light that trespasses onto a residential property**
- **Site plan waiver recommended**

(Recommended for Approval by the Zoning Commission)

Motion: Council Member Allen Gray made a motion, seconded by Council Member Moon, that Zoning Docket ZC-19-065 be approved. Motion passed 8-0, Mayor Price absent.

10. ZC-19-066 - (CD 7) - Victory at Heritage LLC 9813 Chloe Creek Drive; From: "G" Intensive Commercial/I-35 Overlay To: PD/G Planned Development for all uses in "G" Intensive Commercial plus hotel/I-35 Overlay; site plan included 1.99 acres (Recommended for Approval as Amended by the Zoning Commission with revised site plan depicting development standards)

Mr. Patrick Filson, 4821 Merlot Avenue, appeared before Council in support of Zoning Docket ZC-19-066.

Motion: Council Member Jordan made a motion, seconded by Council Member Bivens, that Zoning Docket ZC-19-066 be approved as amended with revised site plan depicting development standards. Motion passed 8-0, Mayor Price absent.

11. ZC-19-067 - (CD 8) - Jambo Real Estate Group, 1729 E. Tucker Street, From: "E" Neighborhood Commercial To: "A-5" One-Family 0.15 acres (Recommended for Approval by the Zoning Commission)

Motion: Council Member Allen Gray made a motion, seconded by Council Member Byrd, that Zoning Docket ZC-19-067 be approved. Motion passed 8-0, Mayor Price absent.

12. ZC-19-068 - (CD 5) - Holdaray Partners LTD, 8312 Brentwood Stair Road; From: "G" Intensive Commercial To: Add Conditional Use Permit to allow a car wash with waivers to parking and residential proximity; site plan included 0.72 acres (Recommended for Approval by the Zoning Commission with no time limit)

Motion: Council Member Bivens made a motion, seconded by Council Member Flores, that Zoning Docket ZC-19-068 be approved with no time limit. Motion passed 8-0, Mayor Price absent.

13. ZC-19-069 - (CD 5) - Himalayan Properties LLC, 3875 and 3878 Post Oak Boulevard; From: "C/AO" Medium Density Multifamily with DFW Airport Overlay To: "MU-1/AO" Low Intensity Mixed-Use with DFW Airport Overlay 8.41 acres (Recommended for Approval by the Zoning Commission)

Motion: Council Member Bivens made a motion, seconded by Council Member Flores, that Zoning Docket ZC-19-069 be approved. Motion passed 8-0, Mayor Price absent.

14. ZC-19-071 - (CD 8) - Ramon Lupian, 804 E. Powell Avenue; From: "A-5" One-Family To: "E" Neighborhood Commercial 0.179 acres (Recommended for Approval by the Zoning Commission)

Motion: Council Member Allen Gray made a motion, seconded by Council Member Moon, that Zoning Docket ZC-19-071 be approved. Motion passed 8-0, Mayor Price absent.

15. ZC-19-075 - (CD 5) - Tom Wittrock, 2905 Miller Avenue; From: "A-5" One-Family To: "ER" Neighborhood Commercial Restricted 0.25 acres (Recommended for Approval by the Zoning Commission)

Mr. Tom Wittrock, 2309 East Lancaster Avenue, completed a speaker card in support of Zoning Docket ZC-19-075 and was recognized by Mayor Pro tem Shingleton but did not wish to address Council.

Motion: Council Member Bivens made a motion, seconded by Council Member Zadeh, that Zoning Docket ZC-19-075 be approved. Motion passed 8-0, Mayor Price absent.

There being no one else present desiring to be heard in connection with the recommended changes and amendments pertaining Zoning Ordinance No. 21653-02-2015 for the above-listed cases, Council Member Bivens made a motion, seconded by Council Member Zadeh, that the hearing be closed, and Ordinance No. 23685-06-2019 be adopted. Motion passed 8-0, Mayor Price absent.

XV. PUBLIC HEARING

1. Second Public Hearing for Strategic Partnership Agreement with the Morningstar Ranch Municipal Utility District No. 1 for a 31.194-Acre Portion of the District Intended for Commercial Use (FUTURE COUNCIL DISTRICT 3)

Mayor Pro tem Shingleton opened the public hearing.

a. Report of City Staff

Ms. Dana Burghdoff, Planning and Development Department, appeared before Council and provided a staff report.

b. Citizen Comments

Ms. Lasondra Huggins, 8504 Ohara Lane, appeared before Council completed an undecided speaker card relative to the Strategic Partnership Agreement and was recognized by Mayor Pro tem Shingleton but was not present in the Council Chamber.

Motion: Council Member Byrd made a motion, seconded by Council Member Moon, that the public hearing be closed. Motion passed 8-0, Mayor Price absent.

XVI. REPORT OF THE CITY MANAGER

B. General

1. M&C G-19550 - Adopt Ordinance to Amend the Fort Worth Building Administrative Code, Chapter 7, Article I, Table 119 1-A and to Add Table 119 1-A-1 to Update the Building Permit Fees for Residential Remodel Work (ALL COUNCIL DISTRICTS)

Motion: Council Member Zadeh made a motion, seconded by Council Member Bivens, that Mayor and Council Communication G-19550 be approved and Ordinance No. 23686-06-2019 be adopted. Motion passed 8-0, Mayor Price absent.

D. Land

1. **M&C L-16224 - Authorize Execution of the Strategic Partnership Agreement for the Morningstar MUD of Parker County (ETJ Adjacent to COUNCIL DISTRICT 3)**

Motion: Council Member Byrd made a motion, seconded by Council Member Moon, that Mayor and Council Communication L-16224 be approved. Motion passed 8-0, Mayor Price absent.

2. **M&C L-16225 - Authorize Execution of First Amendment to Development Agreement with SLF IV - 114 Assemblage, L.P. and First Amendment to Agreement Concerning Creation and Operation of Tradition Municipal Utility Districts Nos. 1 and 2B of Denton County (ETJ / Denton County near COUNCIL DISTRICT 7)**

The following individuals completed speaker cards in support of Mayor and Council Communication L-16225 and were recognized by Mayor Pro tem Shingleton but did not wish to address Council:

Ms. Marcella Olson, 500 West 7th Street, Suite 600
Mr. Bernie Hietbrink, 5949 Sherry Lane, Suite 800, Dallas, Texas
Mr. Edward Eckart, 2405 Mustang Drive, Grapevine, Texas

Motion: Council Member Jordan made a motion, seconded by Council Member Byrd, that Mayor and Council Communication L-16225 be approved. Motion passed 8-0, Mayor Price absent.

XVII. CITIZEN PRESENTATIONS

Ms. Opal Lee, representing Unity Unlimited, 417 South Judkins Street, appeared before Council relative to the Fort Worth Juneteenth community celebration and provided handouts and a video clip.

Mr. Bob Willoughby, 6731 Bridge Street #125, appeared before Council relative to Code Compliance, the City Council, and the Mayor.

Ms. Pamela McCloud, 1304 Harvey, appeared before Council relative to a police shooting.

The following individuals appeared before Council relative to the Police Chief and IT:

Minister Dominique Alexander, representing Next Generation Action Network (NGAN), 2512 East Overton Road, Dallas, Texas
Ms. Angela Darden 15 Grantland Circle

Bishop Mark Kirkland, 6425 Vel Drive, appeared before Council relative to the community.

Mr. Jim DeLong, 8704 Granite Court, appeared before Council relative to a Fort Worth Police Department Citizen Review Board and provided handouts.

Mr. Peter Rokkas 616 North Riverside Drive, appeared before Council relative to homelessness.

Ms. Rebekah Travis, 5705 Trail Lake Drive, appeared before Council relative to game rooms.

The following individuals appeared before Council relative to the four-way stop sign at the intersection of Carver and Leota Streets:

Ms. Tameisha Thompson, 1904 Carver Avenue
Ms. Mandy Mobley, 1936 Portland
Mr. Cory Session, 2901 East 4th Street

XVIII. EXECUTIVE SESSION (CITY COUNCIL CONFERENCE ROOM, CITY HALL, ROOM 290)

XIX. ADJOURNMENT

There being no further business, Mayor Pro tem Shingleton adjourned the Regular meeting at 9:18 p.m.

TO: The Honorable Mayor and City Council Members

FROM: Councilwoman Ann Zadeh District 9

DATE: June 11, 2019

SUBJECT: Reappointment to City Plan Commission/CIAC for Transportation Impact Fees

Request your consideration to reappoint Ms. Melissa Konur to Place 9 on the City Plan Commission/CIAC for Transportation Impact Fees, with a term expiring October 1, 2021.

Ms. Melissa Konur's application and resume were sent to each Council Member by separate electronic communication for review and the original copy will be maintained in the City Secretary's Office.

Councilwoman Ann Zadeh
City Council District 9 ★200 Texas Street ★Fort Worth, Texas 76102
(817) 392-8809

To the Mayor and Members of the City Council

June 11, 2019

SUBJECT: BUDGET AND PROPERTY TAX SETTING CALENDAR AND SCHEDULE OF MEETINGS

Staff has prepared the following schedule to advise both the City Council and the public of meetings regarding adoption of the adoption of the City's annual budget, the setting of the City's property tax rates and the Crime Control and Prevention District's (CCPD) annual budget.

The listed meetings are on the City Council calendar and City website. All City public hearings will be held in the Council Chamber. Most other City meetings and all CCPD proceedings will be held in the Work Session Room (Rm 290). Additional budget work sessions may be scheduled if needed and will generally occur on Tuesdays as part of the regular City Council Work Session or on Thursdays.

Start times listed below and locations are subject to change prior to posting. The public is advised to check posted agendas on the City website or outside City Hall for up-to-date information. Increases in tax revenues due to growth in property values result in separate public hearings being required under state law regarding the City's tax rate, and those hearings are also listed below.

Tuesday – August 6, 2019 — Work Session (3 p.m.)

- Presentation on City Manager's Recommended Fiscal Year 2020 Capital Budget and 5 year CIP

Tuesday – August 13, 2019 — Work Session (3 p.m.)

- Presentation on City Manager's Recommended FY2020 Operating Budget
- Informal report on budget/tax notice requirements
- M&C to authorize submitting application for funding to CCPD board

Thursday– August 22, 2019 — Budget Work Session – as needed (TBD)

Friday – August 23, 2019 — Budget Work Session – as needed (TBD)

Tuesday – August 27, 2019 — CCPD Meeting (TBD)

- Presentation, public hearing, and possible action on CCPD budget by CCPD board

Tuesday – August 27, 2019 — City Council Meeting (7 p.m.)

- 1st public hearing on city budget
- 1st public hearing on tax revenue increase

Tuesday – September 3, 2019 — CANCELLED City Council Meeting

Thursday – September 5, 2019 — Budget Work Session – as needed (TBD)

Friday – September 6, 2019 — Budget Work Session – as needed (TBD)

SUBJECT: BUDGET AND PROPERTY TAX SETTING CALENDAR AND SCHEDULE OF MEETINGS

Tuesday – September 10, 2019 City Council Meeting (7 p.m.)

- 2nd public hearing on city budget
- 2nd public hearing on tax revenue increase
- City Council public hearing and action on board-approved CCPD budget

Tuesday – September 17, 2019 City Council Meeting (7 p.m.)

- Recommended operating and capital budget adoption
- Recommended adoption of tax rate
- Adoption of other ordinances affecting budget

If you have any questions, please call Lynda Johnson, Director Performance & Budget, at (817) 392-6222.

David Cooke
City Manager

SUBJECT: FINAL RESULTS OF RATING OUTCOMES ON BONDS WITHIN THE 2019 DEBT PLAN

This informal report is intended to provide the Mayor and City Council with a summary of the ratings received on bonds issued under the City's 2019 Debt Plan. A summary of the rating actions by the agencies and corresponding credit drivers are shown in more detail below. The rating reports are also included for review to provide additional detail.

Background

As part of our 2019 debt plan the financing team has been meeting with rating analysts from Moody's, Fitch, Standard & Poor's and Kroll over the past several weeks. The City sought ratings for the following upcoming bond sales: Series 2019 General Purpose Bonds, Series 2019 Tax Notes, and Series 2019 Water & Sewer Revenue Bonds. The presentation this year focused on historical and projected financial performance, the economy, operating highlights, and pension reform.

Overview of Rating Outcomes

Moody's

GO Rating – Affirmed rating of Aa3; revised outlook to 'stable' from 'negative'

"The city of Fort Worth, TX's (Aa3 stable) credit profile continues to be constrained by a high unfunded pension liability and weak annual pension contributions, despite reform. Given contributions that are insufficient to amortize the slightly reduced unfunded pension liability, the liability will grow absent strong asset performance or additional pension reform and higher contributions beyond those already approved. However, the credit profile is supported by the city's substantial financial resources to afford increasing pension costs due to strong economic growth, as well as the legal ability to reform benefits further, and the demonstrated political will to both exercise this legal right and to increase contributions. Further, the city's conservative budgeting and capital planning practices amid growth have led to increasing and consistently healthy operating reserves, and a relatively manageable debt burden on par with peers."

"The stable outlook reflects our expectation that the city's financial profile will remain healthy over the near term, supported by a strong management team able to leverage the revenue growth for the city to absorb increased pension costs with continued capital investment and higher service demands commensurate with a growing population."

Factors that could lead to an upgrade:

- Considerable corporate investment and job creation with the city limits
- Material reduction to unfunded pension liabilities and more rapid amortization
- Moderation of fixed cost burden

Factors that could lead to a downgrade

- Further material increases in the pension burden
- Significant increase in debt profile
- Poor financial performance leading to a significant decline in reserves
- Trend of declining assessed values

Water Rating – Affirmed rating of Aa1 with a 'stable' outlook (no change)

Key Credit Strengths:
- Large service area that extends well beyond city limits; growing customer base
- Strong fiscal management and capital planning
- Healthy debt service coverage and low direct debt profile

Key Credit Challenges:
- Below median liquidity for the rating category
- Weak legal provisions

"The stable outlook reflects our expectation the system's strong fiscal management and proactive planning practices will continue in the near term, including implementation of timely rate adjustments to maintain steady debt service coverage and healthy system liquidity amid increasing operating and maintenance expenditures, including rising pension costs allocated to the system."

Factors that could lead to an upgrade:
- Sustained trend of building and maintaining liquidity at high levels
- Improved legal provisions for the bonds
- Upgrade of the city's GOLT rating

Factors that could lead to a downgrade:
- A material decline or sustained weak liquidity relative to peers
- Weak financial performance leading to a reduction in debt service coverage
- Significantly increased leverage
- Rating downgrade of the city's general obligation bonds, coupled with clear linkage between the financial stress of the city related to pension funding with the financial health of the system

Kroll

GO Rating – Assigned and affirmed rating of AA+; revised outlook to 'positive' from 'stable'

Kroll was added in 2018 to assist us in telling our story in a more effective way. We were specifically interested in how they have historically framed local government pension discussions and how they could assist the City in this communication. Highlights from the Kroll report, which are representative of many of the other comments from the other firms, include the following:

Key Credit Strengths:
- Strong financial management policies and an experienced, effective management team.
- Robust economic growth is supported by a diverse, growing tax base, and low unemployment rates.
- Strong financial reserves and liquidity, and conservative budgeting practices.

SUBJECT: FINAL RESULTS OF RATING OUTCOMES ON BONDS WITHIN THE 2019 DEBT PLAN

Key Rating Concerns:
- Ability to absorb increasing pension contributions while maintaining financial strength.
- The reliance on sales tax for operations exposes the revenue base to economic fluctuations; deviation from the City's practice of conservative budgeting would increase credit risk.

Drivers for Rating Change:
- Sustained financial performance despite any economic downturns (+)
- Successful transition to new pension contributions without impact to the City's strong financial position (+)
- City management's ability to adapt to the new property tax levy limitation without significant impact to operations (+)
- Economic decline which causes a significant reduction in tax revenues (-)

"The Positive Outlook reflects KBRA's recognition of the City's robust and growing resource base, continued strong financial profile and implementation of pension reforms. KBRA expects the City will manage the increased pension contributions and maintain its strong financial position. KBRA will monitor the pending state legislation to restrict property tax levy growth, and management's response to operate within the possible new constraints."

S&P

GO Rating – Assigned and affirmed AA rating, with 'stable' outlook (no change)

The rating reflects S&P's view of Fort Worth's:

- Adequate economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with strong financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Weak budgetary performance, with operating deficits in the general fund and at the total governmental fund level in fiscal 2018;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2018 of 16% of operating expenditures;
- Very strong liquidity, with total government available cash at 85.8% of total governmental fund expenditures and 10.0x governmental debt service, and access to external liquidity that we consider exceptional;
- Very weak debt and contingent liability profile, with debt service carrying charges at 8.6% of expenditures and net direct debt that is 122.1% of total governmental fund revenue, as well as a large pension and other postemployment benefits (OPEB) obligation. We recognize the city has made revisions to its pension plan, however, it will take time to determine whether those recent changes will sufficiently address the obligation; and
- Strong institutional framework score

"The stable outlook reflects our view that the city will likely continue to see strong economic growth and taxable value gains due to its participation in the Dallas-Fort Worth MSA. The outlook also reflects our

view that the city's recent pension modifications show that officials are committed to reducing the plan's significant net pension liability through a combination of contribution increases, benefit changes, and actuarial assumption changes, which may ease long-term budgetary pressures, even though these pressures will likely persist, or potentially worsen, during the two-year outlook period. The full effect of the recent changes is not known at this time, but we do not expect these changes to improve the net pension liability or the plan's funded status during the outlook period. At this time, we do not expect to change the rating within the next two years.

Downside scenario
Assuming all other rating factors remain stable or improve, if the city's recent pension modifications do not show progress towards making the ADC, or if the net pension liability continues to grow after the recent actuarial changes are incorporated, we could lower the rating. We could also lower the rating if continued contribution increases further pressure the city's budgetary performance that causes a reduction in its budgetary flexibility or budgetary performance, or a revision in our view of the city's long-term financial planning as reflected in our FMA.

Upside scenario
While we recognize that the city has made modifications to its pension, we do not expect a material improvement in the funded status of the plan, and we do not expect the city to make the full ADC during the two-year outlook period. However, we could raise the rating if there were a significant improvement in the pension funded status, and the city begins making its ADC, without reserve levels deteriorating, and the city experienced continued economic improvement that results in economic metrics that are comparable with those of higher-rated peers, assuming all other rating factors improve or remain stable."

Water Rating – Affirmed rating of AA+ with a 'stable' outlook (no change)

"The stable outlook reflects our expectation that Fort Worth's willingness to adjust rates, including passing through wholesale cost pressures, will be key to rating stability. The city's continued economic growth and diversity, limiting cyclicality from sectors such as energy and commodities, as well as a housing market that we do not view to be in a bubble, are factors that enhance rating stability, in our opinion.

Upside scenario
Given that the pension reform measures have only recently been implemented and that it could be some time before the overall funding levels materially improve, a 'AAA' rating is not likely within our two-year outlook horizon. Still, a higher rating would be predicated, in large part, on sustained improvement in addressing the pension liability while still maintaining strong operations and similar financial capacity.

Downside scenario
Downward pressure on the rating would most likely come from scenarios such as an increased reliance on the utility's surplus net revenues by the general government either for either subsidizing general fund operations or to shore up fiduciary funds beyond even that for which the system is responsible. A downgrade could also follow a sharp increase in debt if Fort Worth were to receive a consent decree or other large-scale requirement, or evidence of what we would view as deferred maintenance or deferring on key decisions that could help sustain the current financial profile."

Fitch

GO Rating – Assigned and affirmed rating of AA+, with a 'negative' outlook (no change)

"The rating reflects Fitch's expectation of strong operating performance through the economic cycle, as well as solid economic and revenue prospects. Fitch maintains the Negative Rating Outlook to analyze over the coming review cycle the impact of recent pension reforms on both expenditure flexibility and operating performance."

Water Rating – Assigned and affirmed Water's rating of AA with a 'stable' outlook (no change)

Key Rating Drivers:

- Stable financial performance; Improving liquidity
- Average direct debt;
- Increased capital spending
- Sound revenue defensibility
- Wholesaler pressures
- Large and diverse service area

Next Steps

The city will continue with the plan of finance of the 2019 debt plan and related bond sales with final closings scheduled on July 16th.

Senate Bill 2 – Moody's Sector Comment

In addition to the rating reports, a Moody's commentary discussing property tax reform passed by the Texas legislature has been provided. Senate Bill 2 is anticipated to take effect on January 1, 2020, which Moody's believes will limit revenue-raising flexibility resulting in negative credit implications for the bulk of local governments.

If you have any questions, please call Kevin Gunn, Interim Chief Financial Officer, at 817-392-8517.

David Cooke
City Manager

MOODY'S INVESTORS SERVICE

CREDIT OPINION
30 May 2019

Rate this Research

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Fort Worth (City of) TX

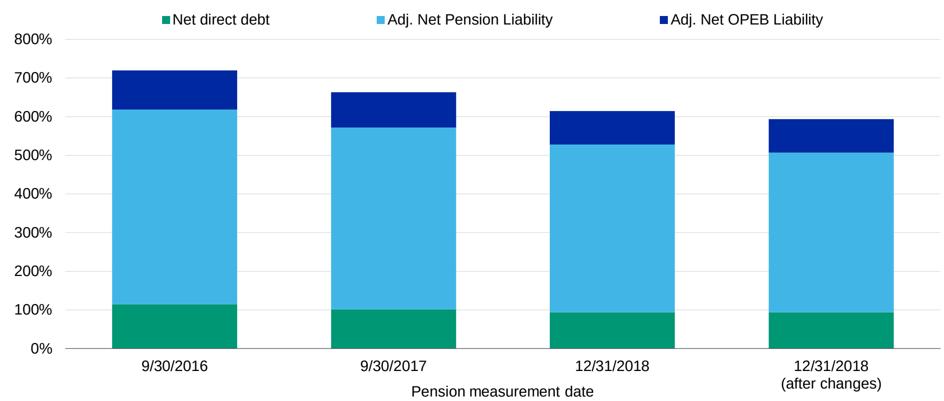
Update to credit analysis following revision of outlook to stable

Summary

The city of Fort Worth, TX's (Aa3 stable) credit profile continues to be constrained by a high unfunded pension liability and weak annual pension contributions, despite reform. Given contributions that are insufficient to amortize the slightly reduced unfunded pension liability, the liability will grow absent strong asset performance or additional pension reform and higher contributions beyond those already approved. However, the credit profile is supported by the city's substantial financial resources to afford increasing pension costs due to strong economic growth, as well as the legal ability to reform benefits further, and the demonstrated political will to both exercise this legal right and to increase contributions. Further, the city's conservative budgeting and capital planning practices amid growth have lead to increasing and consistently healthy operating reserves, and a relatively manageable debt burden on par with peers.

On May 29, 2019 we affirmed the city's GOLT rating at Aa3 and revised the outlook to stable from negative.

Exhibit 1
Total balance sheet leverage remains high following pension reform



Source: Moody's investors service, city's audited financial reports and actuarial reports

Credit strengths

» Large and growing tax base

» Regionally significant economy

» Trend of operating revenue growth; healthy operating reserves

» Legal flexibility to reform pension benefits and programs prospectively

Credit challenges

» Large unfunded pension burden

» High fixed costs

Rating outlook

The stable outlook reflects our expectation that the city's financial profile will remain healthy over the near term, supported by a strong management team able to leverage the revenue growth for the city to absorb increased pension costs with continued capital investment and higher service demands commensurate with a growing population.

Factors that could lead to an upgrade

» Considerable corporate investment and job creation within the city limits

» Material reduction to unfunded pension liabilities and more rapid amortization

» Moderation of fixed cost burden

Factors that could lead to a downgrade

» Further material increases in the pension burden

» Significant increase in debt profile

» Poor financial performance leading to a significant decline in reserves

» Trend of declining assessed values

Key indicators

Exhibit 2

Fort Worth (City of) TX	2014	2015	2016	2017	2018
Economy/Tax Base					
Total Full Value ($000)	$44,265,768	$47,075,950	$49,667,068	$54,517,129	$61,244,653
Population	778,573	796,614	815,930	835,129	848,860
Full Value Per Capita	$56,855	$59,095	$60,872	$65,280	$72,149
Median Family Income (% of US Median)	93.4%	94.4%	94.9%	94.3%	94.3%
Finances					
Operating Revenue ($000)	$681,592	$743,301	$727,094	$780,172	$817,711
Fund Balance ($000)	$126,351	$164,767	$135,100	$178,465	$190,871
Cash Balance ($000)	$112,283	$130,023	$122,175	$172,276	$188,303
Fund Balance as a % of Revenues	18.5%	22.2%	18.6%	22.9%	23.3%
Cash Balance as a % of Revenues	16.5%	17.5%	16.8%	22.1%	23.0%
Debt/Pensions					
Net Direct Debt ($000)	$862,243	$812,433	$834,796	$794,634	$769,819
3-Year Average of Moody's ANPL ($000)	$2,183,532	$2,389,366	$2,652,562	$3,160,829	$3,506,795
Net Direct Debt / Operating Revenues (x)	1.3x	1.1x	1.1x	1.0x	0.9x
Net Direct Debt / Full Value (%)	1.9%	1.7%	1.7%	1.5%	1.3%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	3.2x	3.2x	3.6x	4.1x	4.3x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	4.9%	5.1%	5.3%	5.8%	5.7%

Cash and fund balances include the general fund, debt service fund and crime control and prevention fund
Source: Moody's Investors Service, city's audited financial reports

Profile

The city of Fort Worth is located in Tarrant (Aaa stable), Denton (Aaa stable), Parker, Johnson and Wise counties covering 345 square miles in the western portion of the expansion Dallas-Fort Worth metroplex. The city's estimated population as of 2019 was 848,860, and is the 13th largest city in the US.

Detailed credit considerations

Economy and tax base: large metropolitan tax base in north Texas will continue to grow

The city of Fort Worth will continue to see assessed value growth over the near term, driven by the strong economy fueled by in-migration and ongoing residential, commercial and industrial construction. The city's tax base is large at $67.8 billion as of fiscal 2019, and has exhibited strong average annual growth of 9.8% over the past five years, with additional growth projected for fiscal 2020 value. Despite a robust employment base, residential assessed value (AV) has been expanding at a faster pace than commercial development, contributing to a very diverse tax base. The top ten taxpayers accounted for a low 5.6% of the fiscal 2018 AV.

The city is a regionally significant economic center, serving as the western anchor point to the larger Dallas-Fort Worth metroplex, and is positioned to continue to see economic growth due to favorable demographic trends and a tight labor market. Major employers include American Airlines Inc. (Ba1 stable), which is building a new headquarters in the city, and Lockheed Martin Corporation (Baa1 stable). However, residents and commuters have an array of employment options in the city, including military, government, healthcare and education, manufacturing, transportation and warehousing, and energy. City officials continue to target corporate economic development to generate high paying jobs within the city. As of March 2019, the city's unemployment rate was down to 3.6% and is about on par with the state unemployment level over the same period. At the same time, the labor force has continued to grow, up over 18% since 2013 per the Bureau of Labor Statistics. With growth and a tight labor market, median income has been rising in the city, at 94.3% of the US median as of 2017, up from 89.8% since the 2010 census, as per ACS.

Moody's Economy reports as of May 2019 that the western portion of the metro area, including Fort Worth, will grow at an above-average pace over the near term given defense and other manufacturing expansion, particularly military aircraft, as well as ongoing new construction. Longer term, high population growth, a diversified manufacturing base, and lower business and living costs within the metroplex point to above-average gains.

Financial operations and reserves: healthy operating reserves to continue supported by strong underlying economy

Despite increasing pension costs, the city's financial profile will remain stable over the near term with conservative and strategic management and the ability to leverage the strong economic growth in the city. On May 25, 2019, the Texas legislature approved the Texas Property Tax Reform and Transparency Act which is expected to be signed into law any day. Post approval by the Governor, Fort Worth, and most other governmental units in the state, will face limited financial flexibility in setting a property tax rate. The restriction, which can be overridden by citizens in a mandatory election, restricts rate setting to a maximum of 3.5% additional operating revenue on existing properties. Previously the limit was 8% with a voter petitioned election required to potentially roll back portions levied over the effective 8% limitation. Given the city's current growth trends, the reduced ability to raise property taxes is still consistent with its general fund forecast which assumes property tax growth of 4% annually. The city's general fund forecast assumes new construction values add 0.5% to property taxes annually.

In fiscal 2018 (ending September 30), strong sales tax receipts and other revenue sources above budget, combined with conservative budgeting of expenditures, led to a substantial $17.3 million general fund surplus. At year end fiscal 2018, the available fund balance was $137.2 million, a healthy 20% of general fund revenues. In fiscal 2019 the city approved a balanced budget, though revenues are trending higher than the budget projections. Sales taxes are up 6.1% year over year, while the budget projected a 2.9% increase.

Moody's considers the city's operating funds to include the general fund and debt service fund, as well as the crime control and prevention district (CCPD), which supports a material amount of annual public safety expenditures and is funded by a 0.5% city-wide sales tax. As of fiscal 2018, the combined operating funds reported an available fund balance of $190.9 million, a healthy 23.3% of operating revenues.

Property taxes are favorably the city's largest source of operating revenues, and tend to be less susceptible to economic cycles. As of fiscal 2018, property taxes accounted for 54.3% of general fund revenues, and 57% of combined operating revenues, followed by sales tax at 23% and 28.3%, respectively. Favorable economic trends have fueled strong operating revenue growth. Over the past five years, property taxes have increased an average 5.5% and sales taxes have increased an average 6%. The city is forecasting using an assumed 4% annual increase to both revenue sources through 2026, which is in part tied to a goal to continue to lower the tax rate over the medium term, adhere to the pending change in law that will take affect on January 1, 2020 and conservative projecting. The city's property tax rate is high relative to peers in Texas, with an all-in rate of $7.85/$1000 of AV in fiscal 2019, down from $8.05 in fiscal 2018. The city started lowering the rate in 2017 amid strong growth, as well as a desire to remain competitive for business attraction. Of this rate, $6.30/$1000 supports the general fund while $1.55 is dedicated to general obligation debt.

LIQUIDITY

The city's liquidity position is expected to remain stable over the near term. Liquidity in the general fund increased to $135.9 million in fiscal 2018, or 19.8% of general fund revenues. Cash and investments in the combined operating funds increased to $188.3 million, or a healthy 23% of operating revenues.

Debt and pensions: high balance sheet leverage driven by pension burden

The city's direct debt burden is expected to remain relatively low and manageable in the near term despite additional debt planned to support capital investment throughout the city. As of the most recent bond sale, the city had $883.9 million of net direct debt outstanding, including $829.4 million of GOLT debt. The city's net direct debt burden represents a manageable 1.3% of the 2019 full value and includes GOLT debt, capital leases and other guaranteed obligations. The net direct GOLT debt included in the debt burden calculation is net of $3 million backed by the solid waste system. The city plans to continue to phase in debt authorized under the 2018 bond package over several years. With tax base growth to continue over the near term, the net direct debt burden is expected to remain in line with historic levels.

DEBT STRUCTURE

Given the city's practice to issue new debt with a twenty year amortization and level annual principal, the overall debt profile pays off quickly with 75.8% retired within ten years.

DEBT-RELATED DERIVATIVES

The city is not a party to any derivative agreements.

PENSIONS AND OPEB

Despite recent reform, the city's pension burden and high fixed costs continue to be the primary weakness of the credit profile. The pension burden was reduced by a small amount in the current fiscal year post-pension reform, though is expected to continue to grow due to persistently weak annual contributions. The city council approved benefit reductions and increased city contributions in December 2018, which was followed by a favorable vote of the employees to raise their contributions. However, following negative investment returns in 2018, the impact of the benefit reductions on the unfunded pension liability was muted. Increases to contributions are positive, and favorably the city included additional automatic increases to the city and employees if the current contributions fall below the actuarially determined employer contribution (ADEC). However, the automatic increases are projected to be triggered as soon as they are allowed, starting in 2022, and remain over the actuarially projected 44 year amortization period.

Absent another round of benefit reductions, or consistently high investment returns, contributions will need to increase to amortize the unfunded liability. Unique relative to many other large city peers in the state, the city maintains local control to adjust pension benefits and increase employers contributions, and therefore can remain nimble going forward if further reforms are required to maintain solvency of the pension fund[1]. The city exercised this authority several times in recent history, having reduced benefits to employees on a prospective basis in 2011 and 2014.

As of fiscal 2018, the city's adjusted net pension liability (ANPL), net of support from the water and sewer enterprise of approximately 13%, was $3.7 billion, which represented an elevated 449% of operating revenues and 6% of the fiscal 2019 full value of the tax base. With the reforms put in place, the ANPL is projected to decrease to $3.4 billion, which would be included in the city's fiscal 2020 audited financial statement. Based on the city's strong revenue growth trajectory, we expect the slightly reduced ANPL would represent a moderated but high 350-400% of operating revenues.

The ANPL had been increasing annually, up from $2 billion in fiscal 2012 for comparison, as earnings have fallen below the assumed 7.75% discount rate of the plan up until 2017, and contributions have fallen short of what is needed to prevent the liability from growing, or "tread water". Favorably, the pension board reduced the assumed rate of return to 7%, from the higher 7.75%, in 2019. While earnings in 2017 were strong at 14.6%, the fund experienced a loss of 3.6% in 2018. Earnings over the past five years have averaged 4.5%, compared to 7.6% over the past ten years.

In fiscal 2018, the city contributed $81.2 million to the plan, net of enterprise support, which fell below the "tread water" indicator by a sizeable $29 million, or 3.6% of 2018 operating revenues. The "tread water" indicator shows a contribution level that would prevent the liability from growing, based on reported assumptions from the city's actuarial valuation report, including the previously assumed 7.75% rate of return, which is high and above the assumed rate for many of the largest plans in the country. The board's recent reduction of the assumed rate of return to 7% is more in line with large plans. Assuming a tread water calculation at the reported GASB rate of 5.1% (a blended yield incorporating the pre-reform asset depletion of the fund), the tread water gap balloons to $126.7 million, or a large 15.5% of operating revenues.

Post-reform, we expect that the tread water gap will persist, pointing to continued growth in the unfunded liability. The city will be increasing its contribution to the fund by 4.5% of payroll, back-dated to December 2018. The city's total contribution will approximate 24.5% of payroll. Starting in July 2019, employees will commence phased increases over the next two years, in total ranging from 1.1-4.4% of pay. It is the city's goal to amortize the unfunded liability over 30 years, based on reported assumptions, which was not accomplished through the current reform. This was in part due to the investment losses in 2018, but also the board's decision to reduce the assumed rate of return to a more realistic 7%. Per the reform package, starting in fiscal 2022, if the actual contribution has fallen below the ADEC for 2 years, the contributions are to automatically increase by 2%, split 60/40 to the city and employees, and another 2%, for a maximum of 4% the following year if conditions are not met. The city's actuary has reported that in the coming year, the contribution will fall short of the ADEC by 7% of payroll, or $33.7 million. In the coming few years, we project the underfunding relative to the tread water indicator (net of enterprise support) will be approximately $50-$60 million or about 6-7% of projected operating revenues.

The city provides post-employment health care benefits and death benefits (OPEB) to retirees, established under legal authority of the City Charter. Benefits are administered by the city and funded on a pay-as-you-go basis. The city subsidizes premiums in full for employees hired before October 1988 and in part for those hired prior to January 2009. No subsidy is provided for employees hired after January 2009, though they may enroll in the healthy plan. In fiscal 2018, the city's OPEB contributions were $26.6 million, or 3.3% of operating revenues. At year-end, the net OPEB obligation was $883.3 million, $753.1 million of which was governmental, or 0.9 times operating revenues.

Inclusive of debt service, actual pension contributions and OPEB, the city's fixed costs are elevated at 26.2% of operating revenues in 2018, and will increase given planned augmentation of city contributions. If the city were contributing to the pension fund at a "tread water" level, assuming a 7.75% previous discount rate, fixed costs would increase to 29.8% of operating revenues, and a significant 41.7% of revenues at the GASB rate as reported. Post-reform, fixed costs at the actual pension contribution are projected to total about 27.5% of operating revenues, compared to 34.2% of operating revenues assuming a payment at tread water.

Management and governance: high institutional framework score

The city operates under a council/manager form of government where the mayor and eight councilmembers are elected to two year terms. The city's management practices include formal financial policies and comprehensive budgeting and forecasting.

Texas Cities have an Institutional Framework score of Aa, which is high. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Property taxes, one of the sector's major revenue sources are subject to a cap, which cannot be overridden. However, the cap of $25 per $1,000 of assessed values, with no more than $15 allocated for debt, still allows for significant revenue-raising ability. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. Texas is a Right to Work state, providing significant expenditure cutting ability. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Rating methodology and scorecard factors

The US Local Government General Obligation Rating Methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 4

Fort Worth (City of), TX

Fort Worth (City of) TX		
Rating Factors	**Measure**	**Score**
Economy/Tax Base (30%) [1]		
Tax Base Size: Full Value (in 000s)	$67,762,925	Aaa
Full Value Per Capita	$81,685	Aa
Median Family Income (% of US Median)	94.3%	Aa
Notching Factors:[2]		
Regional Economic Center		Up
Finances (30%)		
Fund Balance as a % of Revenues	23.3%	Aa
5-Year Dollar Change in Fund Balance as % of Revenues	0.3%	A
Cash Balance as a % of Revenues	23.0%	Aa
5-Year Dollar Change in Cash Balance as % of Revenues	0.2%	A
Management (20%)		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	1.0x	A
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	1.3%	Aa
Net Direct Debt / Operating Revenues (x)	1.1x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	5.2%	Baa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	4.3x	Baa
Notching Factors:[2]		
Other Analyst Adjustment to Debt and Pensions Factor (specify): High tread water gap/negative cash flow in pension fund to persist despite reforms, high fixed costs		Down
Standardized Adjustments [3]: Unusually strong or weak security features: Secured by statute		Up
	Scorecard-Indicated Outcome	Aa3
	Assigned Rating	Aa3

[1] Economy measures are based on data from the most recent year available.
[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology dated December 16, 2016.
[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs Updated for 2019 publication.
Source: Fort Worth's audited financial statements, US Census Bureau, Moody's Investors Service

Endnotes

1 The city's Employees' Retirement Fund of the City of Fort Worth (FWERF) is comprised of two separate single-employer defined benefit plans for membership: the city of Fort Worth employees benefit plan ("city plan") and the Retirement Fund employees plan ("staff plan"). The FWERF, and city plan, were established by city ordinance on September 12, 1945. The pension plans are administered by a 13-member board of trustees, comprised of four active members, three retired members and six trustees appointed by the city council. The board governs investments of the plan, though the city is responsible for benefit offerings and contribution percentages, with employee approval required to increase employee contributions.

REPORT NUMBER 1178469

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EMEA	44-20-7772-5454

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CREDIT OPINION
30 May 2019

Rate this Research

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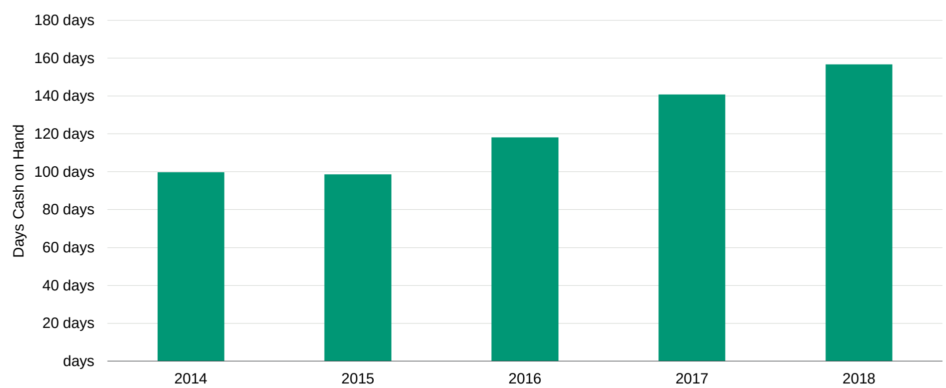
Fort Worth (City of) TX Water & Sew. Ent.

Update to credit analysis

Summary

The city of Fort Worth Water and Sewer Enterprise, TX (Aa1 stable) is a regional treated water and wastewater service provider that benefits from its large and economically vibrant service area in the western Dallas-Fort Worth metroplex. The system exhibits strong management practices including multi-year capital planning and annual rate increases, healthy debt service coverage levels, and a low debt profile. The system's revenue bonds are in part constrained by relatively weak legal provisions and below-median though improved and adequate system liquidity. The system has a manageable level of exposure to the city's unfunded pension liability.

Exhibit 1
Improved unrestricted system liquidity expected to stabilize at current level



Source: Moody's Investors Service, city audited financial reports

Credit strengths

» Large service area that extends well beyond city limits; growing customer base

» Strong fiscal management and capital planning

» Healthy debt service coverage and low direct debt profile

Credit challenges

» Below median liquidity for the rating category

» Weak legal provisions

Rating outlook

The stable outlook reflects our expectation the system's strong fiscal management and proactive planning practices will continue in the near term, including implementation of timely rate adjustments to maintain steady debt service coverage and healthy system liquidity amid increasing operating and maintenance expenditures, including rising pension costs allocated to the system.

Factors that could lead to an upgrade

» Sustained trend of building and maintaining liquidity at high levels

» Improved legal provisions for the bonds

» Upgrade of the city's GOLT rating

Factors that could lead to a downgrade

» A material decline or sustained weak liquidity

» Weak financial performance leading to a reduction in debt service coverage

» Significantly increased leverage

» Rating downgrade of the city's general obligation bonds

Key indicators

Exhibit 2

Fort Worth (City of) TX Water & Sew. Ent.					
System Characteristics					
Asset Condition (Net Fixed Assets / Annual Depreciation)	35 years				
System Size - O&M (in $000s)	$256,898				
Service Area Wealth: MFI % of US median	94.32%				
Legal Provisions					
Rate Covenant (x)	1.00				
Debt Service Reserve Requirement	No DSRF (Baa and Below)				
Management					
Rate Management	Aa				
Regulatory Compliance and Capital Planning	Aa				
Financial Strength					
	2014	2015	2016	2017	2018
Operating Revenue ($000)	$361,979	$389,205	$417,299	$425,615	$468,171
System Size - O&M ($000)	$226,719	$253,114	$252,486	$243,721	$256,898
Net Revenues ($000)	$149,699	$150,683	$177,651	$196,539	$234,675
Net Funded Debt ($000)	$881,173	$1,066,520	$756,866	$795,142	$808,235
Annual Debt Service ($000)	$90,664	$94,878	$90,488	$92,571	$96,230
Annual Debt Service Coverage (x)	1.7x	1.6x	2.0x	2.1x	2.4x
Cash on Hand	100 days	99 days	118 days	141 days	157 days
Debt to Operating Revenues (x)	2.4x	2.7x	1.8x	1.9x	1.7x

Source: Moody's Investors Service, city audited financial reports, bond documents

Profile

Fort Worth is located in Tarrant (Aaa stable), Denton (Aaa Stable), Parker, Johnson (Aa2) and Wise counties. The city's water department provides water and wastewater services to residential, commercial, industrial and wholesale customers. The department serves a growing population of approximately 1.3 million people within the city of Fort Worth and 32 surrounding communities.

Detailed credit considerations

Service area and system characteristics: regional water provider with growing customer base

The system's diverse and predominantly residential customer base will remain stable over the near term. The system provides water and wastewater services to residential, commercial and industrial customers within the city of Fort Worth (Aa3 stable), as well as surrounding areas within Tarrant County on a wholesale basis. The system currently has 32 wholesale contracts for water and 23 wholesale contracts for wastewater service. Raw water is obtained from the Tarrant Regional Water District ("TRWD"; Aa1 stable). The system operates five water treatment plants with a total capacity of 500 million gallons per day (MGD), compared to average daily usage of 194 MGD in fiscal 2018 and peak usage of 359.8 MGD. The city anticipates expansion of the system will be needed in 2028.

Wastewater from the city and 23 surrounding communities is conveyed and treated at the system's Village Creek Water Reclamation Facility or two wastewater treatment plants operated by the Trinity River Authority. The Village Creek Plant has a permitted treatment capacity of 166 MGD and treated an average flow of 117 MGD in 2018. The city has built into the five year capital improvement plan funding allocation for a new wastewater treatment plant to accommodate growth on the west side of town. This project is anticipated to commence in 2023.

The system's customer base is diverse. The 10 largest water customers accounted for $11.6 million in annual revenue and 4.8% of total water usage in 2018. The 10 largest wastewater customers accounted for $9.6 million in revenues and 5% of total wastewater usage in 2018. Residential customers accounted for 32.3% of total water sales and 45.7% of wastewater sales in 2018. Wholesale water sold accounted for 36.6% of total water volume in 2018, and 16.5% of wastewater flows.

According to 2017 American Community Survey estimates, the city's wealth levels were near average with median family income equivalent to 94.3% of the US. However, the system's large service area, which extends beyond Fort Worth, is an important consideration and offsets the below average wealth. The enterprise has been continuing to further water conservation efforts while increasing rates to offset decreases in consumption and continue to meet operating and capital needs of the system. Favorably, rates charged by the system to retail customers is affordable relative to peers in the metro area, and the city is able to pass on higher O&M costs to wholesale customers in the broader service area.

Debt service coverage and liquidity: healthy debt service coverage and improved system liquidity

Annual rate increases are expected to provide steady financial metrics in the near term, including stable system liquidity. The system has a history of rate increases and a stable trend of increasing revenues to keep pace with growing expenditures. Fiscal 2018 revenues increased 13% from the prior year, which included 3.5% and 3% rate increases to water and sewer, respectively, bringing gross revenues to $491.6 million. After operating expenditures net of depreciation, net revenues of $234.7 million resulted in overall debt service coverage of a healthy 2.5 times.

The system utilizes long-term forecasting and revenue assumptions. Year-to-date performance in 2019 (through March) remains favorable relative to the budget – while revenues are projected to be slightly below budgeted amounts, expenditures are projected to be 4.4% below budget largely from a credit expected from TRWD. Net revenues for debt service is projected to be slightly below 2017 results, though maintain healthy debt service coverage. While the city did not need to pass rate increases in 2019, management anticipates future annual rate increases in the near term to offset increasing operating costs and cash-funded capital, and to maintain cash reserves as part of the system's long-term financial plan.

LIQUIDITY

At fiscal year-end 2018, liquidity has continued to improve and was up to 157 days of expenses. Per the fund's policy, the minimum reserve level is 62 days and though management expects to maintain unrestricted cash worth at least 150 days of expenses through 2024.

Debt and legal covenants: low debt profile and weak legal provisions

Following the 2019 bond sale, the system will have $834.8 million in outstanding parity debt and an additional $39.9 million in outstanding subordinate lien bonds. Payout is average with 57.2% of principal retired over the next 10 years. The system's debt to revenues ratio at 1.7 times in fiscal 2018 is at the median for the rating category. The five year CIP plan calls for $1.1 billion in investment into the system, approximately 63% of which is planned to be debt funded and the remaining 37% will be cash funded. Despite the plans for additional borrowing, we expect the system's debt profile relative to revenues will remain below 2 times given the relatively above average pace of principal retirement and ongoing rate increases expected.

LEGAL PROVISIONS

Legal provisions for the bonds are weaker than traditionally seen among utility revenue bonds, though adequate given the strong management of the system. The city has covenanted to fix, establish, maintain and collect such rates, charges and fees for the use and availability of the system at all times as are necessary to produce gross revenues and other pledged revenues sufficient (1) to pay all current operating expenses, (2) to produce net revenues for each fiscal year at least equal to the annual debt service requirements. The additional bonds test states that net revenues for the preceding fiscal year, or for twelve consecutive months out of the fifteen months immediately preceding, must be at least equal to 1.25 times average annual debt service and 1.1 times maximum annual debt service. There is not a debt service reserve established for the bonds, though improving system liquidity is considered healthy and adequate.

DEBT-RELATED DERIVATIVES

The system does not have any variable rate debt and is not a party to any interest rate swaps or other derivative agreements.

PENSIONS AND OPEB

The system contributes to a single-employer defined benefit pension plan (the “city plan”) administered by the Employees' Retirement Fund of the City of Fort Worth for employees of the system. In fiscal 2018, the system contributed $9.7 million to the City Plan, which accounts for 10.4% of the city's total contribution of $93.6 million to the plan and 2% of the system's 2018 operating revenues. The system's 10.4% share of the total adjusted net pension liability (ANPL) of the city plan equates to $380.2 million as of fiscal 2018, or 0.8 times revenues. In December 2018 the city council approved pension reform, which included benefit reductions and increases to city contributions; employees approved increases to their contributions in February 2019. Implementation of the reform occurs in July 2019. The city's contribution to the plan is projected to continue to fall below the actuarially defined contribution rate, as well as our calculated “tread water” level, which measures the annual government contribution required to prevent the reported net pension liability from growing under reported assumptions. A contribution amount equal to the projected 2019 tread water level, post-reform, would increase the system's contribution to approximately $16.7 million, representing 3.3% of fiscal 2018 operating revenues. The city has incorporated increases to pension contributions in the five year financial forecast for the utility system, and corresponding rate increases needed, which range from a manageable 2.9% to 5.5% annually from 2020 through 2024. There was no rate increase in fiscal 2019.

Management and governance: strong fiscal management and robust capital planning

The system exhibits strong fiscal management, demonstrated by appropriate and timely rate setting measures, prudent and conservative budgeting and forecasting of revenues, as well as maintenance of multiyear planning. In addition to the liquidity goal, the system has a goal to maintain a minimum level of working capital in the enterprise funds equal to three months of regular, on-going operating expenses (including transfers out). The system also has a goal of a minimum level of working capital in enterprise funds equal to three months of the amount being paid in debt service payments for the subsequent fiscal year. Rate adjustments must be approved by city council.

The system's water department consists of three separate functions: water, wastewater and reclaimed water, each of which have several divisions responsible for specific areas. The water department is responsible for providing safe, clean drinking water to city residents and customer cities. The wastewater department collects, monitors, treats and processes domestic and industrial waterborne waste from the city and other contracting communities. The reclaimed water department provides highly treated effluent from the city’s water reclamation facility to wholesale and retail reclaimed water customers for nonpotable uses such as irrigation and industrial water cooling towers.

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MOODY'S INVESTORS SERVICE

City of Fort Worth, TX

Assigned	**Rating(s)**	**Outlook**
General Purpose Bonds, Series 2019	AA+	Positive
Tax Notes, Series 2019	AA+	Positive
Affirmed	**Rating(s)**	**Outlook**
General Purpose Bonds, Series 2018	AA+	Positive
Tax Notes, Series 2018	AA+	Positive

Methodology:

U.S. Local Government GO Methodology

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Rating Summary: KBRA's rating action reflects the City's strong financial management policies and practices, strong management, and strong financial performance and liquidity. Economic growth is vibrant, fostering improvement in the resident wealth profile. Debt levels are moderate and amortization is very rapid. Recent pension reforms will help contain the liability growth trajectory. Fixed costs should remain manageable.

Fort Worth is the 15th largest City in the nation by population and among the fastest growing of the nation's top cities. Employment gains have kept pace with the brisk population growth, and the notably low unemployment rate is lower than the state and nation. Poverty rates have fallen and are now lower than the state average, although per capita income lags the state. One focus of the City's recently released strategic plan is attracting high wage job growth. The City's tax base is diverse with no dominant taxpayers. The full value (FV) per capita is almost $70,000, which KBRA views as moderate. Approximately 60% of the tax base is residential, which is on the high side among the larger cities in the state. Several large development projects located across the City are fueling tax base growth, including the 26,000 acre mixed use Alliance Texas development and the Rock Creek Ranch mixed-use project with a new 80 acre campus for Tarleton State University. American Airlines' new 300-acre corporate headquarters is nearing completion and Facebook recently opened a large $1 billion data center.

KBRA views the City's governance and management structure as strong based on its comprehensive financial management policy statements, formal budget process, multi-year financial forecasting and multi-year capital planning. The City's economic development strategic plan, aims to enhance the City's status, regionally, nationally and globally. Additionally, the City benefits from a tenured, experienced leadership team.

KBRA views the City's financial performance as strong reflecting a trend of healthy operating surpluses and strong General Fund reserves. The vibrant financial results reflect the City's adherence to formal fiscal policies, conservative budgeting and fiscal monitoring practices. The primary General Fund revenue sources are property taxes and sales taxes, accounting for 59% and 25% of FY 2018 revenues, respectively. Since 2010, sales tax revenue has averaged 5.8% annual growth, and has consistently outperformed budget.

KBRA views Fort Worth's debt burden as moderate, and debt service accounts for 11.0% of FY 2018 general government expenditures which KBRA also views as moderate. Debt is very rapidly amortized, with 78% maturing in ten years. The City maintains a formal five-year capital improvement plan (CIP) which is updated annually. The FY 2019-2023 CIP totals $1.7 billion, with the largest component of the CIP for water improvements to address system growth, rehabilitation, and mandates. Water project funding is primarily generated through water enterprise revenue bonds and pay-go funding. In May 2018, a $399.5 million bond election was overwhelmingly approved by voters, providing the general purpose bond authority needed for the five years of the capital improvement program.

The City's pension plan ($3.1 billion net pension liability) has a low funded ratio due in part to a historically high investment rate of return assumption, and then subsequent lowering of the investment rate. To address the underfunding, created a second benefit tier. These measures were not sufficient and in December 2018, the City council approved modifications to help contain the growth trajectory and increased required contributions by both the city and employees. Fixed costs are expected to increase but given the city's resource base, KBRA expects payments to be manageable. KBRA views the City's OPEB liability as moderate. Total fixed costs, including direct debt service, the actual pension contribution and pay-go OPEB cost was a manageable 20% of FY 2018 governmental expenditures.

The Positive Outlook reflects KBRA's recognition of the City's robust and growing resource base, continued strong financial profile and implementation of pension reforms. KBRA expects the City will manage the increased pension contributions and maintain its strong financial position. KBRA will monitor the pending state legislation to restrict property tax levy growth, and management's response to operate within the possible new constraints.

Key Rating Strengths
• Strong financial management policies and an experienced, effective management team. • Robust economic growth is evidenced by a diverse, growing tax base, and low unemployment rates. • Strong financial reserves and liquidity, and conservative budgeting practices.

Key Rating Concerns
• Ability to absorb increasing pension contributions while maintaining financial strength. • The reliance on sales tax for operations exposes the revenue base to economic fluctuations; deviation from the City's practice of conservative budgeting would increase credit risk.

Drivers for Rating Change	
• Sustained financial performance despite any economic downturns. • Successful transition to new pension contributions without impact to the City's strong financial position. • City management's ability to adapt to the new property tax levy limitation without significant impact to operations.	+
• Economic decline which causes a significant reduction in tax revenues.	-

Key Ratios

Rating Highlights	
Population Growth, 2010-2018	
City	17.7%
State	12.1%
Top 10 Taxpayers as % Total AV	5.6%
Annual change in Market Value, 2010-2019	5.1%
Unassigned General Fund Balance as % Expenditures	17.4%
Overall Debt as % Full Market Value	4.6%
Debt Payout, Ten Years	78.0%
Fixed Costs as % Expenditures, FY 2018	20.2%

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

RD 1: Management Structure and Policies

KBRA views the City's governance and management structure as very strong. The City's detailed Financial Policy Statements, which document a policy framework for fiscal decision making, is an important contributor to the strong governance profile. 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 some of the hallmarks of the City's strong management practices. Fort Worth recently released its first economic development strategic plan, aimed at enhancing the City's economic profile. The City's municipal services include public safety, highways and streets, solid waste, public health, public works, recreation, municipal airports, and water and wastewater systems.

City Organization

The City operates under a Council/Manager form of government. The City council is comprised of the mayor and nine council members, all elected for two-year terms. The mayor is elected at large, and the nine other council members are elected by district. The mayor and council appoint the City manager, as well as the City attorney, City secretary and City auditor and the municipal judges. A special election on May 7, 2016 amended the City charter. Proposition 2 increases the number of council members to 11 from nine, beginning with the first election following the 2020 census.

The City benefits from a highly experienced leadership team. The City manager, David Cooke, joined the City five years ago, having previously been the county manager of Wake County, NC, another region of the nation with strong growth and a tradition of strong public finance management. The City's Interim Chief Financial officer, Kevin Gunn, was appointed in October 2018, and most recently had served four years as the City's IT Director.

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. In addition, the city must annually calculate its "rollback rate", the rate that will produce last year's maintenance and operation levy from this year's values (adjusted for additions) multiplied by 1.08 plus a rate to cover this year's debt service. If the adopted rate exceeds the rollback rate, voters may petition for an election on the tax increase.

The current tax rate is $0.785, providing the City ample taxing capacity within the statutory and charter real property tax rate limit; giving the City financial flexibility should unanticipated needs occur. In addition, 10.3% of the City's FY 2019 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 years, made possible by strong growth in the tax base.

Under state statutes, the local sales tax rate is limited to 2%. The City levies 1% for the general fund, 0.5% for a crime prevention and 0.5% is dedicated to the transit authority. The 0.5% for crime prevention was approved by voters for a five-year period ending September 30, 2020 and the City anticipates seeking a renewal. There are no state or local debt limit laws, except to the extent that the tax rate limitation poses a constraint.

Financial Management Policies and Procedures

KBRA believes the City has strong fiscal management and control practices, that are supported by formal financial policies. The City provides transparent disclosure of financial policies in the annual financial report and budget document, which highlight the City's prudent management of financial resources. Pursuant to the City's adopted financial management policy statements, 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.

Budget Process

The annual budget process begins in the Spring of the preceding year, with the council subsequently establishing goals for the executive staff. 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 City charter further requires the budget show comparative figures for actual and estimated income and expenditures of the current fiscal year and actual income and expenditures of the preceding fiscal year. The budget is required to be adopted by the City council at least ten days after the first publication of the appropriations ordinance. The City manager is responsible for maintaining a balanced budget at all times.

Strategic Planning

Among the fastest growing of the nation's 20 largest cities, Fort Worth embarked on its first economic development strategic plan, released in December 2017. The plan is aimed at enhancing the City's status, regionally, nationally and globally by focusing on emerging opportunities, better capitalizing on manufacturing and healthcare expertise, leveraging existing international assets and taking a more aggressive stance to capture a greater share of high profile corporate expansions within the region. The project consulting team includes TIP Strategies, Inc, and the plan outcomes focus on high-wage job growth, more commercial/industrial tax base growth, attention to high growth businesses, and a commitment to "quality of place". The plan process involved asking stakeholders "What does economic success look like in Fort Worth?"; and the plan outlines specific initiatives as well as performance metrics.

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 has a term of June 1, 2017 through September 30, 2020, and a one-year evergreen period. Fire civil service employee salaries are in accordance with the fire collective bargaining contract, expired September 30, 2018, with a one-year evergreen. Negotiations for a new fire agreement are actively underway, and ratification is anticipated prior to the evergreen. The City's salary schedules are detailed in an annual report; employees will receive adjustments to their pay based on their individual job performance using the City's pay for performance program.

Based on the foregoing, KBRA views the City of Fort Worth's governance and management structure and policies as consistent with a AAA Rating Determinant rating. This rating level reflects the City's adherence to formal fiscal policies, maintenance of prudent reserve levels, and existence of a formal CIP along with active economic development strategic planning.

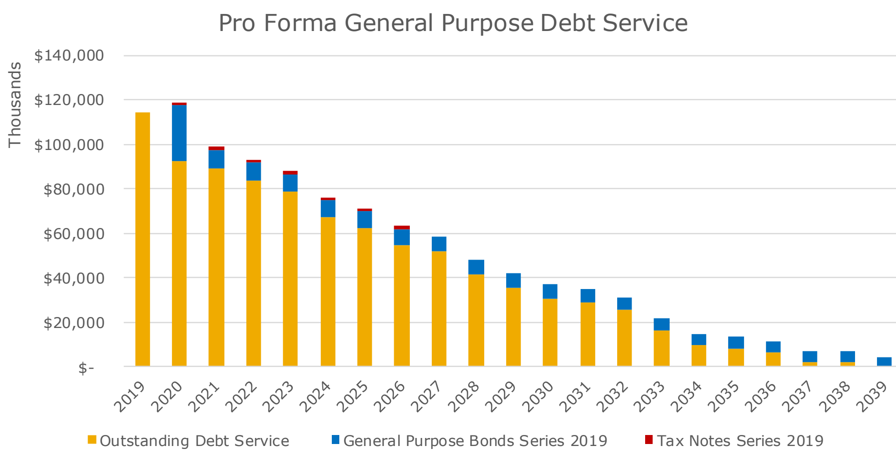
RD 2: Debt and Additional Continuing Obligations

KBRA views the City's debt and additional continuing obligations as moderate, which is notable given the City's exceptionally rapid population growth. The City's use of pay go financing, practice of rapid debt repayment and management of other continuing obligations have all served to contain the long-term liability profile. The City is currently addressing pension reform, and implementation of solutions is expected in the near term.

Overall Direct and Overlapping Debt

KBRA views Fort Worth's debt burden as moderate. 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 with debt service quickly deescalating after MADS ($119.1 million) in 2020 (see Figure 1).

FIGURE 1



Source: City of Fort Worth

With the current offering, the City will have $655.5 million in direct debt outstanding. The City does have approximately $89 million in self-supporting debt[1] not included in the direct debt calculation. This equates to manageable levels of

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

overall debt per capita at $3,968, and overall debt as a percent of full market value at 4.6%. The City's direct debt service paid as a percentage of total governmental expenditures in FY 2018 as moderate (See Figure 2) Fort Worth's direct debt includes general obligation bonds, tax notes, and certificates of obligation (which are non-voted).

FIGURE 2

Fiscal Year 2018	
KBRA Metric	**Ratio**
Overall direct and indirect debt per capita[1]	$ 3,968
Overall debt as % of full market value of property[1]	4.6%
Debt amortization within 10 years	78.0%
Debt amortization within 20 years	100.0%
Direct debt service as a % of total governmental expenditures	11.0%

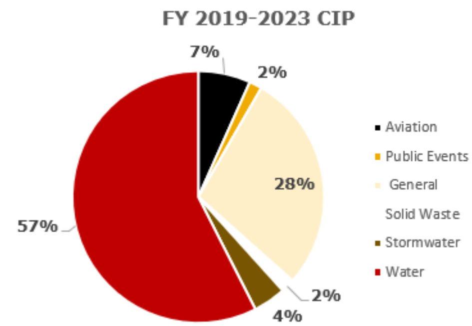
Source: Fort Worth CAFR, Official Statement.

[1] Includes Series 2019 issuance. With special assessment debt, special tax revenue debt and Tarrant Regional Water District Obligation included, debt per capita and debt per FMV ratios are $4,460 and 5.1%, respectively.

Capital Improvement Plan (FY 2019-2023)

The City of Fort Worth maintains a formal five-year capital improvement plan (CIP). The FY 2019-2023 CIP totals $1.7 billion, including $471 million budgeted for FY 2019. The largest component of the CIP is water improvements ($1.0 billion) to address system growth, rehabilitation, and mandates. Water project funding is primarily generated through revenue bonds and pay-go funding. On May 5, 2018 voters approved a general obligation bond referendum of $399.5 million by favorable margins. The authorization is expected to satisfy almost all general purpose bond funding needs for the CIP.

FIGURE 3



Source: City of Fort Worth FY 2019-2023 CIP

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 (the board). Seven of the board members are elected by plan members. The mayor and City council appoint five City residents and also designate the City's CFO as board members. Adoption of benefit changes and setting of contribution rates are determined by the mayor and the City council.

The City's pension plans provide retirement, disability, and death benefits to all employees of the City, except elected officers and non-salaried appointed members of administrative boards and commissions, part-time, temporary and contract employees, and employees paid in part by another governmental agency. As of January 1, 2019, City plans membership totaled 11,547, including 6,589 actives (57% of membership).

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 measures were insufficient and in December 2018 the city council voted for further reforms, which were subsequently approved by employees. In brief, reforms include 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. These modifications reduced the unfunded accrued liability by $144.3 million. The total net pension liability is $3.1 billion. Most significantly, employees and the city agreed to larger pension contribution rates to bring down the unfunded liability.

The City, and employees, contribute a fixed percentage of payroll. The City's contribution rate has been below the actuarially determined contribution (ADC) and the shortfall in the contribution has been widening. In FY 2018, the City's actual pension contribution was $93.5 million, which represents a low 71.0% of the ADC ($131.8 million). In FY 2015, the City met 94% of the ADC. As a result of the December 2018 pension modifications, the City's contribution rates are increasing as shown in the figure below.

FIGURE 4
City Pension Contribution Rates
% of Payroll

Group	Current Rate	Rate Effective 7/2019	Maximum Rate, With Risk Sharing
Police	20.46%	24.96%	27.36%
Non-Police	19.74%	24.24%	26.64%

Source: City of Forth Worth Series 2019 preliminary official statement

Employee contributions are also increasing. Under the 2019 modifications, general employee contributions will increase to 9.35% in July 2019 (from 8.25%), and police increases over three years to 13.53% (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 increase 2% per year with a cap of 4%. The risk sharing increases are shared 60% employer and 40% employee, which is the historical overall proportional sharing of funding. The mechanism is expected to take effect in 2022, and the maximum contribution by the city for police officers will be 27.36%, with police officers contributing a maximum of 14.73%.

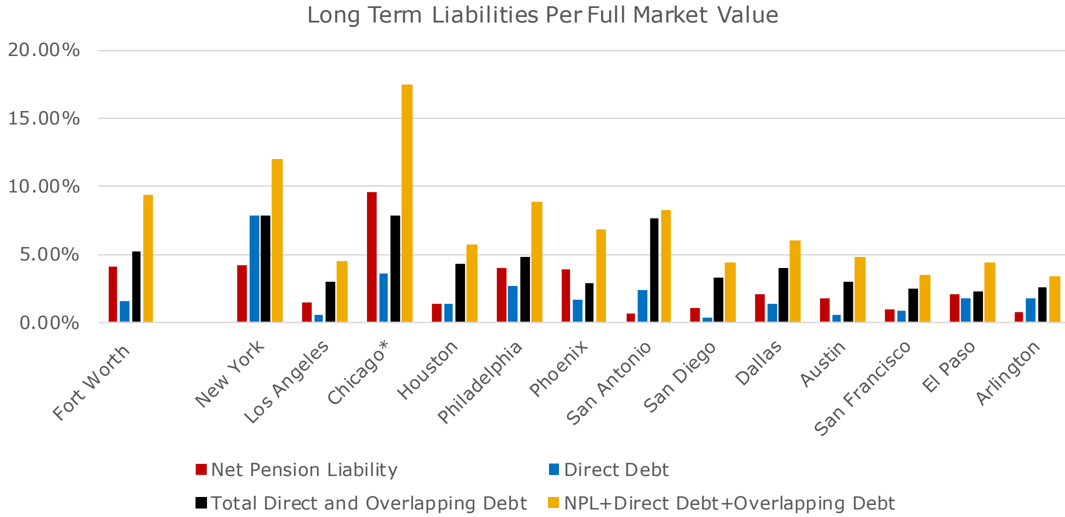
The plan actuary prepared an initial assessment of the modifications, and assuming a 7.5% discount rate and the 2017 valuation results, plan funding is expected to be achieved over 30 years. However, subsequently to that report, the pension board further reduced the discount rate assumptions to 7.0% and the fund, like many pension funds, suffered losses in the 4th quarter of 2018 (see KBRA's research titled, **The Big Shift: Did Public Pension Bets Pay Off?**). As a result, the City now estimates that the full funding will occur over 44 years without taking into consideration any outside gains in assets in 2019. Enactment of the pension modifications required majority approval of all employees, not just voting employees. KBRA believes that the proactive efforts of city's strong leadership team were key to the achievement of the successful vote.

Pension Liability

Based on GASB 67 reporting requirements, the FY 2018 the net pension liability totaled $3.1 billion (governmental and enterprise activities). The plan net position as a percent of the total pension liability was a low 42.4%. The plan's underfunding is largely due to investment experience, as the investment assumption had been as high as 8.5%. In each of the years 2011, 2013 and 2016 the investment rate assumption was reduced by .25%, bringing the investment assumption to 7.75%. The blended rate (used to discount future liabilities) was 5.35% in fiscal 2018, with the crossover date (estimated plan depletion) occurring in 2042.

The City's Net Pension Liability (NPL), having grown in recent years, is by various measures high compared to other large cities (see figure 5). 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. Instead, when we observe an NPL that is relatively outsized or trending negatively, 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 three positive characteristics; (i) the NPL will decline next year as a result of the new pension modifications and its increased contribution requirements, (ii) the City is very conservative in managing its other direct debt obligations with 78% of debt amortizing within 10 years, (iii) the City has strong budget and economic ability to afford its increased pension contributions.

FIGURE5



Souce: 2018 City CAFRs
** 2017 CAFR was used*

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. Depending on when an employee was hired and their years of service, the City will pay all or none of a retiree's healthcare premium costs. Employees hired on or after January 1, 2009, pay the full premium, but may participate in the plan upon retirement. All retirement eligible employees are eligible for health care coverage benefits; the normal retirement age is 65 with five years of credited service. The City has actively managed OPEB liabilities by containing benefit eligibility, creating an OPEB trust, performing a dependent benefit audit and instituting cost-effective health plan changes. The City maintains an OPEB trust, which reported a 2018 FYE fiduciary net position of $68.8 million. City officials indicated to KBRA that the trust assets are not anticipated to be utilized until benefit payments peak.

In FY 2018, the City contributed $26.6 million for retiree healthcare. The net OPEB liability reported in the City's FY 2018 CAFR, was $883 million. The discount rate used in computing the plan liability was 3.53%.

In FY 2018, total fixed costs (debt service, the total pension actuarially determined contribution and the OPEB contributions), represent 20.2% of total general government expenditures.

Based on the foregoing, KBRA considers Fort Worth's debt and continuing obligations profile as being consistent with an AA Rating Determinant rating. This rating level reflects the City's rapid debt repayment, moderate debt service levels as well as the need to establish a sustaining funding mechanism of the pension plan.

RD 3: Financial Performance and Liquidity Position

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

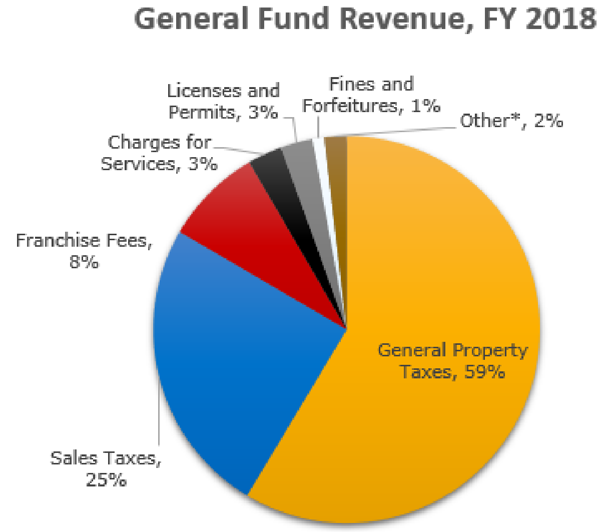
The General Fund is the City's primary operating fund and the focus of KBRA's financial performance analysis. The City budgets on a cash basis of Generally Accepted Accounting Principles (GAAP) and the budget document is a complete financial plan for all City funds. The City manager may transfer budgeted 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 March and July.

In addition to the general fund, 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 the 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. The FY 2019 ISF adopted budget is $148 million, relative to the general fund budget of $731 million.

The two-primary general fund revenue sources are property taxes and sales taxes. 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. Dependence on sales tax can pose financial vulnerability given the exposure to economic volatility; however, the local sales tax does not apply to motor vehicle sales or motor fuel sales, thus moderating economic fluctuations. Since 2010, the sales tax revenue has averaged 5.8% growth, and in each year actual collections out performed budget.

The sales tax rate totals 8.25%, with 6.25% the state share and 2% 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.

FIGURE 6



** Other Local Taxes, Revenue from Use of Money and Property, Investment Income (Loss), Intergovernmental, Gas Leases and Royalties, Other, and Contributions*
Source: City of Fort Worth, FY 2018 cafr

FY 2018 Financial Results

Fiscal 2018 closed with a $17.3 million general fund increase in fund balance and maintenance of strong reserves. Year end balances are historically robust. FY 2018 results reflect favorable variances to budget on both revenues and expenditures. Sales tax revenues were the largest contributor to positive budgetary performance, with collections exceeding budget by $2.8 million (1.8% positive variance from budget). General Fund revenue growth was a vibrant 6.4%, favorably outpacing the 4.4% expenditure growth.

FIGURE 7

General Fund Revenues And Expenditures ('000)

	2018	2017	2016	2015
Revenues				
General Property Taxes	$ 371,832	$ 345,657	$ 324,654	$ 308,037
Sales Taxes	$ 157,369	$ 148,365	$ 138,497	$ 138,358
Franchise Fees	$ 51,934	$ 50,078	$ 49,031	$ 53,129
Charges for Services	$ 18,185	$ 19,349	$ 21,039	$ 10,919
Other[1]	$ 35,058	$ 32,719	$ 36,695	$ 32,267
Total Revenues	**$ 634,378**	**$ 596,168**	**$ 569,916**	**$ 542,710**
Expenditures				
General Government	$ 63,718	$ 59,937	$ 57,274	$ 100,387
Public Safety	$ 419,515	$ 395,236	$ 381,237	$ 341,817
Culture and Recreation	$ 60,911	$ 61,166	$ 60,747	$ 56,673
Urban Redevelopment and Housing	$ 35,921	$ 38,584	$ 35,767	$ 17,023
Other[2]	$ 35,201	$ 35,623	$ 30,707	$ 33,149
Total Expenditures	**$ 615,266**	**$ 590,546**	**$ 565,732**	**$ 549,049**
Surplus (Deficit) from Operations	$ 19,112	$ 5,622	$ 4,184	$ (6,339)
Total Other Financing Sources (Uses)	$ (1,860)	$ (2,094)	$ 3,176	$ 44,858
Net Change in Fund Balance	$ 17,252	$ 3,528	$ 7,360	$ 38,519
Unassigned Fund Balance	$ 107,272	$ 93,601	$ 68,436	$ 84,280
Unassigned Fund Balance as a % of General Fund Expenditures	**17.4%**	**15.8%**	**12.1%**	**15.4%**

Source: City of Fort Worth Audited Financials
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

The unassigned general fund balance levels have consistently met or exceeded the City's required minimum fund balance policy of 10%, as reflected in the table above. In FY 2018, unassigned general fund balance grew to $107.3 million, or 17.4% of General Fund expenditures which KBRA views as strong.

FIGURE 8

General Fund Balance Sheet ('000)	2018	2017	2016	2015
Assets				
Cash & Investments	$ 103,877	$ 87,923	$ 61,859	$ 55,731
Cash & Investments: Held by Trustees	$ 32,042	$ 30,215	$ 26,512	$ 25,007
Grants and Other Governments Receivables	$ 28,387	$ 26,926	$ 25,102	$ 23,425
Accounts and Other Receivables	$ 15,394	$ 13,176	$ 13,246	$ 15,320
Other[1]	$ 10,939	$ 9,285	$ 34,095	$ 34,855
Total Assets	**$190,639**	**$167,525**	**$160,814**	**$154,338**
Liabilities				
Accounts Payable	$ 11,871	$ 9,977	$ 7,742	$ 11,308
Accrued Payroll	$ 16,025	$ 13,325	$ 12,188	$ 9,465
Other[2]	$ 4,919	$ 4,072	$ 3,950	$ 5,312
Total Liabilities	**$ 32,815**	**$ 27,374**	**$ 23,880**	**$ 26,085**
Fund Balance				
Nonspendable Fund Balance	$ 5,029	$ 2,953	$ 27,823	$ 5,427
Restricted Fund Balance	$ 10,495	$ 9,886	$ 12,738	$ 12,153
Committed Fund Balance	$ 27,360	$ 29,009	$ 22,924	$ 22,508
Assigned	$ 2,545	$ -	$ -	$ 193
Unassigned Fund Balance	$ 107,272	$ 93,601	$ 68,436	$ 84,280
Total Fund Balance	**$152,701**	**$135,449**	**$131,921**	**$124,561**

Source: City of Fort Worth Audited Financials

[1] Includes Taxes Receivables, Loans Receivables, Interest Receivables, Due from Other Funds, Inventories, Advances to Other Funds, Prepaids, Deposits, and Other, Long-Term Loans Receivable

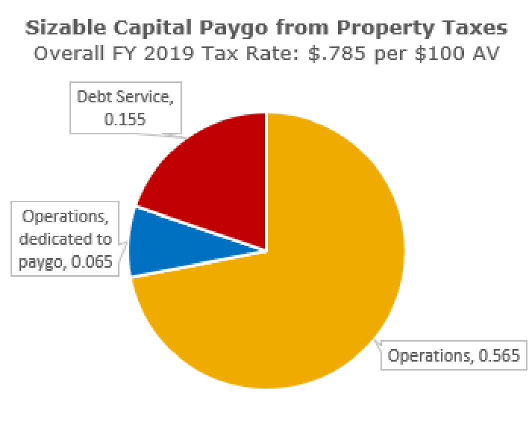
[2] Includes Construction Payable, Escrow Accounts Payable, Accrued Interest Payable, Other, Due to Other Funds, Advances from Other Funds, Unearned Revenue

2019 Budget

The City currently estimates it will close the year with another operating surplus. Favorable sales tax performance and conservative expenditure budgeting are expected to enable a $5 million operating surplus. The FY 2019 general fund budget, totals $731.2 million and reflects a 7.7% increase over the FY 2018 adopted budget. The budget lowers the property tax rate, increases cash funding of capital projects, increases pension funding and contains no use of reserves to balance operations; KBRA views the City's budgeting practices as very strong. The budget includes compensation increases for police of 3.1% plus steps, and a 3% cost increase for general employees under a pay for performance program. In addition, pay go capital spending increases by $3.8 million.

Robust sales tax revenue growth is expected to continue, and the budget conservatively assumes 5.5% growth. Sales tax growth has been fueled by construction activity and population growth. The property tax roll increased 10.9%, enabling a two cent per $100 of assessed valuation reduction in the property tax rate (to $.785 per $100). This is the city's third consecutive year of a reduction in the property tax rate, and is an effort to contain the tax burden and enhance the City's competitive position for commercial development. The City reported to KBRA that as tax increment districts expire, and taxing levy is freed up, the City will continue to pursue property tax rate reductions. Currently there are 12 active increment districts in the City, which capture approximately 4% of the base (based on City participation).

FIGURE 9



Source: FY 2019 City of Fort Worth Budget

The City budgets at a 98.5% collection rate of its property tax levy. In a sign of fiscal discipline and prudent planning, the City allocates a portion of the real property tax levy for pay go capital financing, a practice KBRA views favorably.

KBRA notes the proposal in the state legislature to limit property tax levies in Texas by reducing the permitted adjusted levy growth for operations to 3.5% from the current 8% and requiring voter approval to override the limit. The growth limit is adjusted to exclude new property values, and voted debt is excluded from the tax rate calculation. In FY 2019, Fort Worth's operating tax rate was 94% of its rollback rate (net of the debt rate), evidencing some ability to operate with a more constrained multiplier. Further, over 10% of Fort Worth's levy for operations is used for pay go capital funding. This affords the City additional options should a lower multiplier become enacted.

Liquidity Position

KBRA views the City's liquidity position as strong as evidenced by robust year end balances. The FY 2018 governmental funds cash totaled $847 million, with an additional $57 million held in the Internal Service Funds. The governmental funds cash represents 236 days cash on hand at the close of FY 2018, which KBRA considers very strong. The strong liquidity position precludes the need for cash flow borrowing.

Based on the foregoing, KBRA views Fort Worth's robust reserves, history of favorable budgetary performance and strong liquidity as being consistent with a AAA Rating Determinant rating.

RD 4: Municipal Resource Base

KBRA views the City's resource base as very strong and diverse. Incorporated in 1873, the City of Fort Worth is approximately 350 square miles and is the county seat of Tarrant County.

The City is 15th largest City in the United States and the 5th largest in Texas with a population of 876,060. The City's population has grown 45% since 2005 and 18% since 2010, growth rates that outpace both the state and nation. The City expects the population to grow by another 60% reaching approximately 1.4 million by 2045. The Dallas-Fort Worth-Arlington metropolitan had the largest growth rate among metropolitan areas in the nation between 2017 and 2018. Due to its rapid population growth, the City has embarked on various projects to meet service needs. In July of 2018 the 1.6 billion I-35W project was complete which expanded the highway's capacity to 132,000 vehicles daily from 110,000. The City is also adding two additional fire stations to support the strong growth in the City. In addition, the City, which has approximately 70,000 acres of developable land, is seeing large scale development of both residential and commercial properties. The City's resource base is further supported by tourism. According to the Fort Worth Convention and Visitors Bureau more than 6.5 million people annually visit the City, generating approximately $1.6 billion in annual economic impact and supporting more than 143,000 jobs.

Figure 10

	2017 Population	Chg from 2010	2017 Age Dependency Ratio[1]	Chg from 2010[2]	2017 Population with B.A. Degree or higher	Chg from 2010[2]	2017 Poverty Level	Chg from 2010[2]	2017 Income per capita	Chg from 2010
Fort Worth	876,060	17.7%	58.6%	-0.3	29.7%	3.6	12.9%	-5.0	$28,174	24.6%
Tarrant	2,054,475	13.0%	60.2%	1.6	31.4%	2.8	11.6%	-2.9	$31,221	20.8%
Texas	28,304,596	12.1%	62.0%	1.6	29.6%	3.7	14.7%	-3.2	$29,525	23.7%
United States	325,719,178	5.3%	63.1%	1.3	32.0%	3.8	13.4%	-1.9	$32,397	24.3%
Fort Worth as % of Tarrant	**NA**		**97.3%**		**94.6%**		**111.2%**		**90.2%**	
Fort Worth as % of Texas	**NA**		**94.5%**		**100.3%**		**87.8%**		**95.4%**	
Fort Worth as % of United States	**NA**		**92.8%**		**92.8%**		**96.3%**		**87.0%**	

Source: U.S. Census Bureau is used as the source in order to provide a consistent comparison among different units of government.

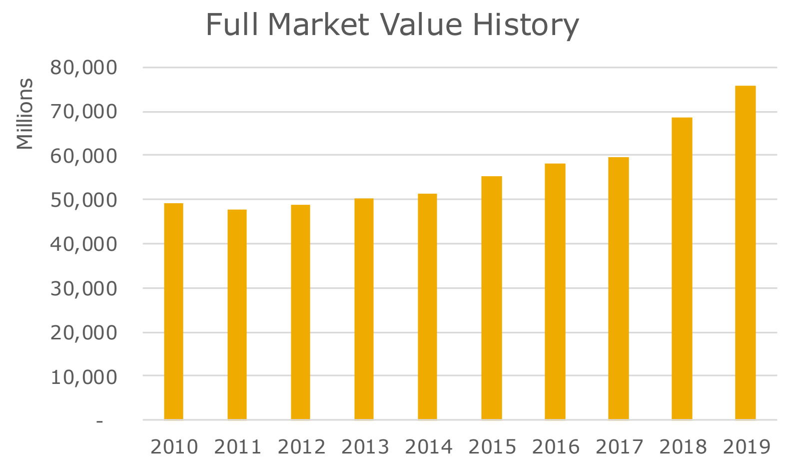
1 Age dependency ratio is the sum of the population under 18 yrs and over 65 yrs divided by persons age 18 to 64 yrs.

2 Year over year change shown as nominal change in percentage points.

Tax Base and Demographics

The City's full market value (FMV) continues to exhibit strong with a sizable 10.5% increase from 2018 to $75.9 billion in 2019 (see figure 11). Pursuant to state law, taxable property is appraised at market value. The City's tax base is largely residential and in 2019, single and multi-family properties represent 61.8% of the City's FMV followed by commercial/industrial properties at 32.6%. Residential growth has outpaced commercial/industrial growth. In 2010 single and multi-family properties made up approximately 51.9% of FMV. The 2019 FMV per capita ($86,663) continues to increase, as FMV has increased at a greater year over year rate than the population growth rate.

FIGURE 11



Source: City of Fort Worth General Purpose Refunding and Improvements Bonds, Series 2013 and General Purpose Bonds, Series 2019 Offical Statements

The City's top 10 taxpayers increased slightly from last year. This increase was driven by Facebook, which is associated with Winner LLC, opening over a billion-dollar data center in Fort Worth. Nonetheless, the City's top ten taxpayers remain diverse at 5.6% (see Figure 12). 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 2018, the current property tax collection rate continued to be high at 97.9%.

FIGURE 12

City of Fort Worth Top Taxpayers (FY 2019) ('000)			
Company	**Nature of Property**	**2019 Taxable Assessed Valuation**	**Percentage of Total Taxable Assessed Valuation**
Winner LLC	Data Center	$1,054,627	1.6%
American Airlines, Inc	Airline	$578,376	0.9%
Oncor Electric Delivery Co.	Utility	$460,659	0.7%
Bell Helicopter Inc.	Helicopter	$372,731	0.6%
DDR/DTC City Investments LP	Real Estate	$261,580	0.4%
Alcon Laboratories, Inc	Optics Mfg.	$253,307	0.4%
Wal-Mart Real Estate Bus Trust/Stores LLC	Retail & Distribution	$244,972	0.4%
AT Industrial Owner	Warehouse/Distribution	$215,604	0.3%
MillerCoors	Distillery	$173,943	0.3%
Carlyle/Cypress West 7th LP	Real Estate	$162,300	0.2%
Total		$3,778,099	5.6%

Source: City of Fort Worth

The City's wealth levels are slightly lower than the State and national average. Income per capita is growing at a slightly greater rate than the State and nation at 24.6% (see Figure 10). However, the City's wealth levels are in line with the largest cities in the State (see Figure 13).

FIGURE 13

Top 10 Largest Cities in Texas							
City	Population	Per Capita Income	Poverty Rate	Unemployment 2017	2018	Mar-19
Houston	2,313,230	$ 31,175	20.6%	4.9%	4.2%	3.7%
San Antonio	1,511,913	$ 24,625	17.3%	3.5%	3.3%	3.1%
Dallas	1,341,103	$ 32,114	18.5%	3.9%	3.7%	3.4%
Austin	950,714	$ 40,323	13.1%	3.0%	2.7%	3.0%
Fort Worth	876,060	$ 28,174	12.9%	3.9%	3.6%	3.6%
El Paso	683,583	$ 21,908	19.3%	4.4%	4.1%	3.7%
Arlington	396,407	$ 25,807	15.7%	3.8%	3.5%	3.2%
Corpus Christi	325,600	$ 27,593	15.5%	5.3%	4.6%	4.2%
Plano	285,312	$ 46,412	5.1%	3.5%	3.3%	3.1%
Laredo	261,935	$ 16,880	27.2%	4.2%	3.7%	3.8%

Source: U.S Census | Bureau of Labor Statistics

March 2019 are Preliminary

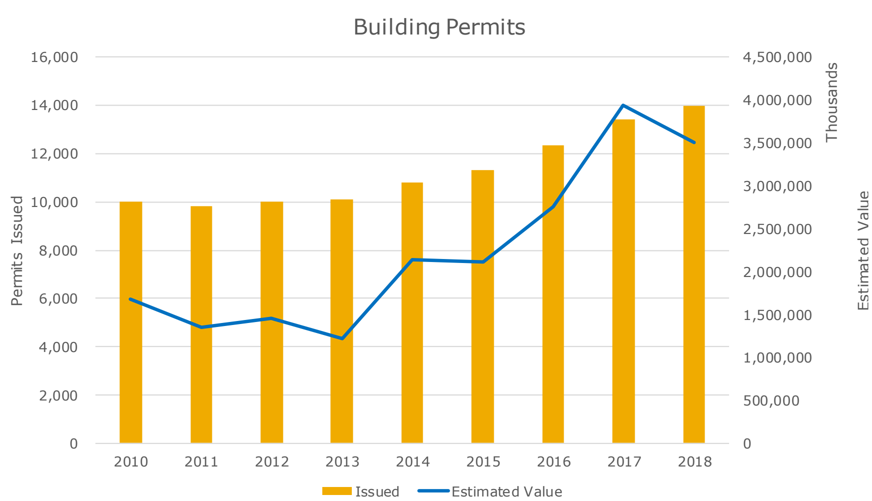
Economic Development Activities

Population has grown by approximately 18% since 2010, and as the population has grown so has the economic development 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 $69 billion in economic impact over its 28-year-old history, as reported in the City's FY 2018 Annual Report. In 2018, the development added more than 2,400 jobs and now has over 470 companies with employment of nearly 48,000. Other developments in the City include a new 80-acre campus for Tarleton State University opening in fall 2019 with an expected 2,500 students with the ability to serve approximately 9,000 by 2030. Residential developments include, Walsh Ranch, a 7,267-acre development which will have up to 15,000 new homes, and various other mixed-use development projects.

The City's new 14,000 seat Dickies Arena is scheduled to open November 2019, and is expected to host 130 events annually including of the month-long Fort Worth Stock Show rodeo (which first started in Fort Worth in 1896), the 2022 NCAA men's basketball first and second rounds, the 2020-22 NCAA Women's gymnastics championship, and the 2020-22 American Athletic Conference men's basketball championships. The arena will have the capacity to accommodate conventions, exhibit events, business meetings, and private receptions in spaces up to 91,315 square feet. In addition to the events held inside the arena and the neighboring Will Rogers Memorial Campus's 5.8-acre plaza space can host outdoor events for up to 3,000 guests.

Since 2010, the number of annual building permits issued in the City has grown by 40% while the estimated value has increased by over 100% to $3.5 billion in 2018. To keep up with the economic growth, the City's voters approved a $399.5 million bond package in May 2018 which includes propositions to build and repair roads, new park amenities, and public safety facility improvements.

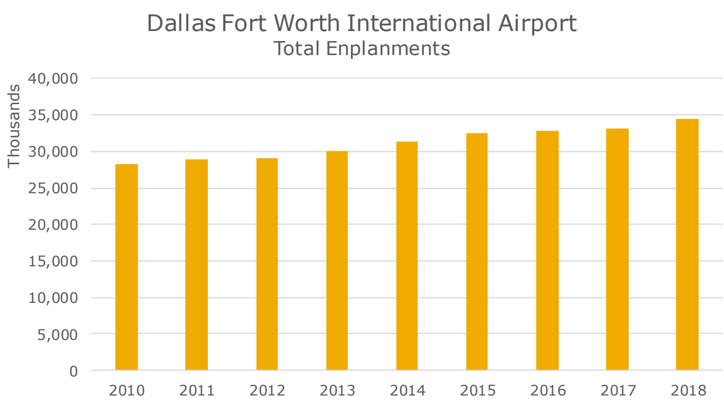
FIGURE 14



Source: City of Fort Worth

The City is served by Dallas/Fort Worth International Airport ("DFW"), bonds rated **AA-/Stable** by KBRA, which ranked 4th among commercial service airports in enplanements in 2017, behind Hartsfield-Jackson Atlanta International, Los Angeles International, and Chicago O'Hare International. Total enplanements continue to grow at DFW growing by 22.3% since 2010 (see Figure 15) On December 31, 2018, TEXRail opened providing a 27-mile rail line from downtown Fort Worth through Tarrant County and ending at DFW terminal B. The City projects that the new rail line will attract 8,000 daily riders by the end of the first year and up to 14,000 by 2035. In addition to the City's proximity to DFW, the City operates three private aviation airports, and is served by six major railroad systems with service to cities such as Chicago, St. Louis, Little Rock, Dallas, San Antonio and Los Angeles.

FIGURE 15

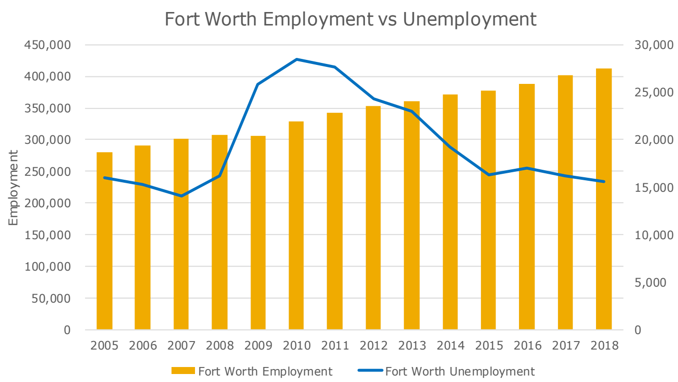


Source: Dallas Fort Worth International Airport CAFR

Employment

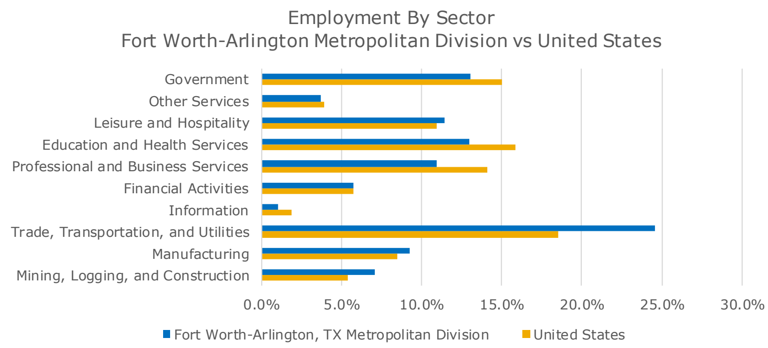
Since 2010 the City's unemployment rate has been slightly lower than the State's and that trend continued in 2018. However, preliminary figures from March 2019 show the City's unemployment slightly greater than the State's at 3.6% compared to 3.5% for the State. KBRA does note, that historically, in March the City has a slightly higher unemployment rate. The City has seen its employment grow by 25.1% since 2010 which is a greater rate than the state and nation at 18.4% and 12%, respectively. Employment growth has been driven by gains in employment in trade, transportation, utilities, education and health services, leisure and hospital, and government sectors, which collectively represent 62.1% of total employment in the Fort-Worth-Arlington MSA (see Figure 17).

FIGURE 16



Source: Bureau of Labor Statistics

FIGURE 17



Source: Bureau of Labor Statistics

In addition to employment opportunities located in the City, residents of Fort Worth have access to employment markets in Dallas and Arlington. In 2017, approximately 42.6% of residents work outside of the City with the mean commuting time of just under 30 minutes. The City's top employers have grown from 12.3% of total employment in FY 2010 to being 23.4% in FY 2018. Top employers within City limits include the City itself, the American Airlines corporate headquarters, and National Air Station (NAS) Fort Worth Joint Reserve base. American is scheduled to open their new 1.8 million square foot headquarters in May 2019 and the headquarters on any given day could be home to approximately 12,000 employees.

Based on the foregoing, KBRA has revised the Rating Determinant rating for the City's municipal resource base to AA+ from AA, recognizing the City's growing and diverse resource base and improving wealth metrics. This rating determinant rating also reflects the City's wealth levels that are lower than the State and the Nation.

Bankruptcy Analysis

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

If the City were to file a petition commencing a Chapter 9 proceeding, though 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, in contrast, the pledge of general *ad valorem* property taxes for a general purposes obligation 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 and the Notes are not from a separate, dedicated source of revenues that meets the definition of "special revenues" under Chapter 9, and (b) there is no statutory lien imposed on the pledged *ad valorem* tax revenues levied to pay the Bonds or the Notes, holders of the Bonds and the Notes would likely be treated as unsecured creditors of the City.

Conclusion

KBRA assigns an AA+ rating with a Positive Outlook to the City of Fort Worth General Purpose Bonds, Series 2019 and Tax Notes, Series 2019 and affirms the AA+ rating and Positive Outlook for the General Purpose Bonds, Series 2018 and Tax Notes, Series 2018.

Summary:

Fort Worth, Texas; General Obligation

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Rationale

Outlook

Related Research

Summary:

Fort Worth, Texas; General Obligation

Credit Profile		
US$105.355 mil Gen purp bnds ser 2019 dtd 06/01/2019 due 03/01/2039		
Long Term Rating	AA/Stable	New
US$8.745 mil tax notes ser 2019 dtd 06/01/2019 due 03/01/2026		
Long Term Rating	AA/Stable	New
Fort Worth GO		
Long Term Rating	AA/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AA' long-term rating to the City of Fort Worth, Texas' series 2019 general purpose bonds and series 2019 tax notes. At the same times, S&P Global Ratings affirmed its 'AA' long-term rating on the city's limited tax general obligation (GO) debt outstanding. The outlook on all ratings is stable.

Both the general purpose bonds and the tax notes are payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the city. The maximum allowable rate in Texas is $2.50 per $100 of assessed value (AV) for all purposes, with the portion dedicated to debt service limited to $1.50. The city's total tax rate is well below the maximum, at 78.5 cents, 15.5 cents of which is dedicated to debt service. Based on the application of our criteria, "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness," published Jan. 22, 2018, we view the limited-tax GO debt pledge on par with the city's general creditworthiness. The ad valorem taxes are not levied on a narrower or distinctly different tax base, and there are no limitations on the fungibility of resources available for the payment of debt service. The series 2019 general purpose bond proceeds will fund capital projects. The series 2019 tax note proceeds will go toward the purchase of fire safety equipment.

The rating reflects our view of Fort Worth's:

- Adequate economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with strong financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Weak budgetary performance, with operating deficits in the general fund and at the total governmental fund level in fiscal 2018;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2018 of 16% of operating expenditures;
- Very strong liquidity, with total government available cash at 85.8% of total governmental fund expenditures and 10.0x governmental debt service, and access to external liquidity that we consider exceptional;
- Very weak debt and contingent liability profile, with debt service carrying charges at 8.6% of expenditures and net direct debt that is 122.1% of total governmental fund revenue, as well as a large pension and other postemployment

benefits (OPEB) obligation. We recognize the city has made revisions to its pension plan, however, it will take time to determine whether those recent changes will sufficiently address the obligation; and

- Strong institutional framework score.

Economy

We consider Fort Worth's economy adequate. The city, with an estimated population of 848,460, is located in Denton, Parker, and Tarrant counties in the Dallas-Fort Worth-Arlington MSA, which we consider to be broad and diverse. The city has a projected per capita effective buying income of 88.6% of the national level and per capita market value of $79,866. Overall, the city's market value grew by 10.6% over the past year to $67.8 billion in 2019. The weight-averaged unemployment rate of the counties was 3.5% in 2018.

Fort Worth anchors the Dallas-Fort Worth MSA. The city's local economy remains one of the most robust in the state, led by health care, professional services, the aerospace and defense-related industries, and construction, all of which have increasingly offset the region's cyclical energy sector. The city is also host to Texas Christian University, Texas Wesleyan University, a robust community college system, and other higher education institutions. Fort Worth's estimated population is 850,000, with a daytime population of more than 1 million, reflecting the employment opportunities available throughout the city. In our opinion, recent and projected building-permit activity will likely lead to additional tax-base growth during the next two years. In the long term, we believe the city is well positioned for further growth due to the significant amount of land that is currently undeveloped, but developable within city limits, and a larger amount of land that is undeveloped within Fort Worth's extraterritorial jurisdiction.

Population and market value have increased approximately 7.0% and 43.9%, respectively, over the past five years. Given past trends and forward-looking expectations, we believe the city's economy will continue to show positive growth over the next two years, which we view as a credit strength.

Budgetary performance

Fort Worth's budgetary performance is weak, in our opinion. Following our adjustments, the city had operating deficits of 3.2% of expenditures in the general fund and of 7.5% across all governmental funds in fiscal 2018.

We adjusted for recurring revenues in and out of the general fund and other governmental funds, as well as for capital outlay expenditures funded through debt proceeds. We also adjusted expenditures to account for the difference between what the city contributed to its Employees' Retirement Fund and the actuarially determined contribution (ADC), which amount to an additional $38 million of expenditures in fiscal 2018. In our view, if a local government is making annual contributions to its pension plan that are below actuarially determined levels, budgetary performance is likely overstated. Subsequently, this led to a net operating deficit of about $21 million in the general fund and $88 million across all governmental funds in fiscal 2018.

Prior to our adjustments, for fiscal 2018, the city posted a surplus in the general fund due to positive sales tax and property tax growth. More than half (58%) of general fund revenues come from property taxes, while 25% comes from sales taxes. The positive trends are expected to continue and create an environment that partially offsets the cost increases associated with its pension plan.

The fiscal 2019 general fund budget is balanced, with both revenues and expenditures projected to be about $687 million (including transfers). Based on year-to-date results, revenues and expenditures indicate a surplus in the general fund of roughly $5 million. If actuals hold true, Fort Worth could experience a positive net change in fund balance, but that does not take into account S&P Global Ratings' adjustment for growing pension costs.

The 2019 budget adopted by city officials reflects a 1.5% increase in the city's year-over-year contribution rate to the city's pension fund. We estimate that even with the 1.5% citywide increase nd the additional contributions approved earlier this year, the city will still experience a contribution deficiency between the ADC and its actual contribution in the current fiscal year. Officials indicate that contributions to the plan will very likely not meet the ADC for the next two fiscal years, even when incorporating the additional contribution increases that are set to occur during this time.

Fort Worth is in the planning phases for its fiscal 2020 budget cycle, but will incorporate these increases. The increases are also included in the city's forward-looking financial forecasts. For fiscal 2020, operating results in the general fund show a $10 million deficit at this time. Relative to the size of the budget, a $10 million deficit is almost breakeven and projections might prove to be conservative, but the recently approved additional contribution increases will likely further pressure the budget. As a result, we expect budgetary performance to remain weak over the next two years, and that performance, before our internal adjustments, will continue to be masked by future underfunding of the ADC.

Budgetary flexibility

Fort Worth's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2018 of 16% of operating expenditures, or $109.8 million.

Transfers to other governmental funds and enterprise funds, along with the ADC deficiency, are included in the city's operating expenditures for purposes of our calculations. The city typically transfers funds from its general fund to its capital project fund annually in order to maintain and invest in Fort Worth's infrastructure. This transfer did not occur in fiscal 2018, and we did not adjust for this as we had in previous analyses'.

Fort Worth's available fund balance at year-end fiscal 2018 was nominally the largest over the past six years. On a nominal basis, the available fund balance increased in fiscal 2018 to $109.8 million (17.8% of unadjusted operating expenditures), from about $93.6 million (15.8% of unadjusted operating expenditures) in fiscal 2017. Including adjustments to expenditures, the available general fund balance equates to 16.8% of operating expenditures, a level that we still consider very strong.

Despite the substantial year-over-year increase in the fund balance in each of the past two fiscal years, we believe Fort Worth's budgetary flexibility could be pressured if its pension liability continues to grow. Since fiscal 2012, reserves have been at or below 15% of expenditures until fiscal 2017. For fiscal 2019, projections indicate another addition to fund balance of about $5 million, which would likely maintain reserves at a level in excess of 15% of expenditures, which we consider very strong, depending on final operating expenditures. Moving forward, we believe management will adhere to its formal reserve policy, and that reserves will not decrease below 10% of operating expenditures over the next two years.

Liquidity

In our opinion, Fort Worth's liquidity is very strong, with total government available cash at 85.8% of total governmental fund expenditures, and 10.0x governmental debt service in 2018. In our view, the city has exceptional access to external liquidity if necessary.

Fort Worth has, in our view, exceptional market access having issued GO, utility revenue, and certificates of obligation on a frequent basis. The city has four privately placed agreements, with a total par outstanding of about $39 million. Upon review of the legal requirements, we do not consider the private placements as a contingent liquidity risk, as there are no permissive covenants, acceleration provisions, or cross-default provisions that could result in an unanticipated call on liquidity. The city's investments are highly liquid and regarded as cash equivalents in the audit, and the majority of all investments have a maximum maturity date of five years.

Management

We view the city's management as very strong, with strong financial policies and practices under our FMA methodology, indicating financial practices are strong, well embedded, and likely sustainable.

The budgeting process incorporates an analysis of past trends related to primary revenue and expenditure items. Budget assumptions do not include making the ADC to the city's pension plan, which we view as a risk and is a somewhat optimistic view of future expenditures. Management completes a comprehensive review of financial performance on a monthly basis, and provides semi-annual reports on financial performance to the city council. The governing body is able to amend the budget at any time with council approval. As part of the budget process, management produces a five-year financial forecast to illustrate the long-term effect of current-year budget decisions. The five-year financial forecasts include the city's planned contribution rate increases. Should these contributions fall short of meeting the ADC in future years, even with the recent increased contributions from employees and benefit changes, we may no longer view this as a credible planning tool for long-term financial decision making and it could affect the FMA. A formal investment policy, focusing on cash management and investment strategy, also exists; management reports results to the city council quarterly.

Adopted debt policies focus on the types of debt instruments officials can use, how much debt they can issue, and what type of structure they should use. Concerning reserves, the policy states management will strive to maintain an undesignated general fund balance equal to at least 10% of the current-year budget for operating and maintenance items, with a goal to reach 16% of expenditures. For capital planning, management is required to review its capital improvement needs and the city's infrastructure status annually. An adopted five-year capital improvement plan is annually produced, and shows all projects and corresponding funding sources.

Debt

In our view, Fort Worth's debt and contingent liability profile is very weak. Total governmental fund debt service is 8.6% of total governmental fund expenditures, and net direct debt is 122.1% of total governmental fund revenue.

Revenue-backed debt supported through the city's enterprise fund has been adjusted in our direct debt-to-revenue calculations. Following the sale of the 2019 issuances, Fort Worth will have $369.5 million of authorized but unissued debt remaining, all of it from its nearly $400 million 2018 bond program that was approved by voters in May of 2018. Officials anticipate issuing the remaining authorized debt over the next four fiscal years, with an issuance occurring each year. Given future debt plans, we expect Fort Worth's debt profile to remain very weak during the next two years.

Pension

In our opinion, a credit weakness is Fort Worth's large pension and OPEB obligation. We recognize the city has revised its pension plan, however, it will take time to determine whether those recent changes will sufficiently address the obligation.

Despite cost-saving pension modifications made in early calendar 2019, we believe Fort Worth's large unfunded pension liability/poor-funded status, lack of funding discipline, and high actual pension costs as a percent of total government expenditures will continue to mask the city's budgetary performance and potentially pressure the budget during the outlook period. We do not foresee material improvements within our two-year outlook horizon. Fort Worth's combined required pension and actual OPEB contributions totaled 13.6% of total governmental fund expenditures in 2018. Of that amount, 11.5% represented required contributions to pension obligations, and 2.4% represented OPEB payments.

The city's agent multiple-employer defined benefit pension plan, the Employee's Retirement Fund of the City of Fort Worth, has experienced a steady decline in funded status since 2010, primarily due to contributions less than the actuarial recommendations. Contributions to the city's pension plan are statutorily defined and have been well below the ADC in recent years, causing further deterioration of the plan's funded status. As of Jan. 1, 2010, the plan's actuarial funded ratio was 81.2%. As of the most recent actuarial valuation (Sept. 30, 2018), the plan was extremely weakly funded on a Governmental Accounting Standards Board (GASB) basis, at 42.9%, with a net pension liability of $3.1 billion. The city made 71.0% of its ADC in 2018. GASB liabilities were calculated using a single discount rate of 7.75%, which we view as representing a target asset portfolio that contains high market risk. Aside from its pension benefits, Fort Worth provides certain OPEB for retired employees. As of Sept. 30, 2018, the plan was 7.23% funded based on a single discount rate of 3.53%. The city discontinued OPEB for employees hired after 2008. At Sept. 30, 2018, the OPEB liability was $883 million, down from $940 million in the previous year.

Recent Modifications

Several years ago, recognizing the long-term liability as an issue, city officials took steps to improve the overall fiscal health of its pension system. In December 2018, council approved additional changes to the city's pension plan. Plan members approved these changes in February 2019. In addition, changes were made to the plan's actuarial assumptions in March 2019. The mayor and city council administer the plan, defining benefits, setting contribution rates as well as funding contributions. The governing body has the ability to alter benefits, but not increase employee contributions without a successful employee vote. Although we believe these benefit, contribution, and actuarial changes will better position the city to address its pension liability, we do not expect the plan's funded status to improve in the near term, and we do not believe the city's contribution costs, as a percent of its total governmental expenditures, will decline.

The changes approved by members in February 2019 include the elimination of cost of living adjustments for all service credits earned or purchased on or after July 20, 2019, and employee and employer contribution increases. These contribution changes include a fixed contribution increase, whereby the city contribution rate will increase by 4.5% in July of 2019, police officer contributions will increase by 4.4% over a three-year period, firefighters will contribute3.8% more over a two-year period, and general employees will begin contributing between 1.1%-1.8% beginning in July 2019. Beginning in 2022, if the ADC remains in excess of actual contributions to the plan, a risk-sharing mechanism will go into effect and increase contributions further for the city and all employee groups, with a cap equal to 4.0% of payroll. In fiscal 2018, Fort Worth contributed 19.74% of retirement-eligible wages to the plan for general employees and firefighters, and 20.46% for police officers. With annual budgeted increases in the city's contribution rates in fiscal years 2018 and 2019 (2.0% total) and additional increases beginning in fiscal 2020, we still expect contributions to fall short of the ADC during the next several years, notwithstanding any other changes. As a result, the effective city contribution rate is expected to amortize the unfunded liability over a long 75-year period, as a level percentage of payroll. Payroll growth is assumed to be 3.0% per year.

Actuarial changes were also made in March 2019, and include a reduction in the discount rate to 7.00% from 7.75% as well as the use of an updated mortality assumption that uses generational mortality improvements for projections. These actuarial assumptions will likely result in an increase in the pension liability and thus a decline in the funded ratio and an increase in the ADC beginning in fiscal 2020. Officials indicate that after these assumption changes are incorporated the new employee and city contribution rates will not fully amortize the pension liability within 30 years, but instead within 44 years after incorporating the risk-sharing mechanism.

Strong institutional framework

The institutional framework score for Texas municipalities is strong.

Outlook

The stable outlook reflects our view that the city will likely continue to see strong economic growth and taxable value gains due to its participation in the Dallas-Fort Worth MSA. The outlook also reflects our view that the city's recent pension modifications show that officials are committed to reducing the plan's significant net pension liability through a combination of contribution increases, benefit changes, and actuarial assumption changes, which may ease long-term budgetary pressures, even though these pressures will likely persist, or potentially worsen, during the two-year outlook period. The full effect of the recent changes is not known at this time, but we do not expect these changes to improve the net pension liability or the plan's funded status during the outlook period. At this time, we do not expect to change the rating within the next two years.

Downside scenario

Assuming all other rating factors remain stable or improve, if the city's recent pension modifications do not show progress towards making the ADC, or if the net pension liability continues to grow after the recent actuarial changes are incorporated, we could lower the rating. We could also lower the rating if continued contribution increases further pressure the city's budgetary performance that causes a reduction in its budgetary flexibility or budgetary performance, or a revision in our view of the city's long-term financial planning as reflected in our FMA.

Upside scenario

While we recognize that the city has made modifications to its pension, we do not expect a material improvement in the funded status of the plan, and we do not expect the city to make the full ADC during the two-year outlook period. However, we could raise the rating if there were a significant improvement in the pension funded status, and the city begins making its ADC, without reserve levels deteriorating, and the city experienced continued economic improvement that results in economic metrics that are comparable with those of higher-rated peers, assuming all other rating factors improve or remain stable.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- Local Government Pension And Other Postemployment Benefits Analysis: A Closer Look, Nov.8, 2017
- 2018 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of May 24, 2019)		
Fort Worth GO		
Long Term Rating	AA/Stable	Affirmed
Fort Worth GO		
Long Term Rating	AA/Stable	Affirmed
Fort Worth GO		
Long Term Rating	AA/Stable	Affirmed
Fort Worth GO		
Long Term Rating	AA/Stable	Affirmed
Fort Worth GO		
Long Term Rating	AA/Stable	Affirmed
Fort Worth GO		
Long Term Rating	AA/Stable	Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Fort Worth, Texas; CP; Water/Sewer

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Rationale

Outlook

Fort Worth, Texas; CP; Water/Sewer

Credit Profile		
US$96.09 mil wtr and swr sys rev bnds ser 2019 dtd 06/01/2019 due 02/15/2049		
Long Term Rating	AA+/Stable	New
Fort Worth		
Long Term Rating	AA+/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AA+' rating to Fort Worth, Texas' series 2019 water and sewer system revenue bonds. At the same time, S&P Global Ratings affirmed its 'AA+' rating on the city's senior-lien water and sewer system revenue debt. The outlook is stable.

The rating reflects our opinion of the system's general creditworthiness, including Fort Worth's extremely strong enterprise risk profile and very strong financial risk profile. The city's first-lien net water and sewer system revenue pledge secures the bonds. We understand officials will use bond proceeds to fund approved projects in the city's capital improvement plan (CIP).

Fort Worth administers a citywide plan with separate funds for police, fire and nonuniformed employees that, as of fiscal year-end 2018, was about 43% funded, down from 58.5% at the end of 2016 and on a path to insolvency. In response, the city appointed a review committee that recommended proposals that ultimately were approved by both the city council and a vote of employees. The proposals included both cost-containment measures (e.g., establishing conditions precedent before any cost-of-living increase would become effective), as well as increased contributions from both the city and employees (both uniformed and nonuniformed). Still, we understand that the revised discount rate assumption is 7.0%, which we view as somewhat aggressive, especially after a net market value decline during calendar 2018 of 3%. Further, the city does not expect to amortize the liability within a 30-year horizon, and it may still be several more years before it can fully fund its actuarially determined contribution (ADC). Just under 11% of the $3.1 billion total net pension liability reflects the water and sewer system, which limits the system's exposure. Generally, we have seen that for large municipal utilities it is the capital program, not pension or related liabilities, that generates the need for rate adjustments. Nonetheless, in our view, the overall underfunded position currently creates headwinds to achieving a 'AAA' rating.

When we stress management's already conservative financial projections for the water and sewer fund, we find the utility system is likely to maintain sufficient financial capacity for its ongoing operating budget and capital commitments while absorbing a likely increase in the contribution for its allocable share of the pension and other postemployment benefits (OPEBs). Although the city cannot look to its wholesale customers to avail itself of the pension problems, wholesale sales help stabilize the system's total operating revenues, which we also view as a credit positive. We base our assumption of continued financial capacity of the water and sewer fund on:

- The water and sewer fund's share of the total liability remaining about the same;

- The financial interplay between the water and sewer fund and Fort Worth's general fund not changing in terms of both transfers and permitting the utility to build and maintain available reserves; and
- The CIP remaining similar in size and scope. The CIP, which identifies about $1.08 billion in commitments through fiscal 2024 and will be approximately 64% debt-funded, is not being pressured by any regulatory actions or environmental compliance enforcements, unlike that of many comparably sized systems.

Transfers of surplus net revenues to the general fund are limited and defined. While officials can use surplus net revenues for any lawful purpose, an over-reliance on transfers out to shore up shortfalls in the general, pension, or other funds would likely weaken the all-in debt service coverage (DSC) assessment. All-in DSC is S&P Global Ratings' internally adjusted DSC calculation that includes all debt regardless of lien or accounting treatment, and hypothetically treats some recurring debt-like obligations, such as demand and capacity payments, as if they were actually city-issued debt. The calculation also includes all net transfers from the utility fund as if they were operating expenses because, in our view, they are a recurring use of utility operating revenues. If we believe the transfers out were associated with a liquidity crisis, we would view this to be negative extraordinary intervention by the general fund and equalize the utility and general obligation (GO) ratings.

Outlook

The stable outlook reflects our expectation that Fort Worth's willingness to adjust rates, including passing through wholesale cost pressures, will be key to rating stability. The city's continued economic growth and diversity, limiting cyclicality from sectors such as energy and commodities, as well as a housing market that we do not view to be in a bubble, are factors that enhance rating stability, in our opinion.

Upside scenario

Given that the pension reform measures have only recently been implemented and that it could be some time before the overall funding levels materially improve, a 'AAA' rating is not likely within our two-year outlook horizon. Still, a higher rating would be predicated, in large part, on sustained improvement in addressing the pension liability while still maintaining strong operations and similar financial capacity.

Downside scenario

Downward pressure on the rating would most likely come from scenarios such as an increased reliance on the utility's surplus net revenues by the general government either for either subsidizing general fund operations or to shore up fiduciary funds beyond even that for which the system is responsible. A downgrade could also follow a sharp increase in debt if Fort Worth were to receive a consent decree or other large-scale requirement, or evidence of what we would view as deferred maintenance or deferring on key decisions that could help sustain the current financial profile.

Factors that support the water and sewer system's enterprise risk profile include the following:

- A broad and diverse service area that includes retail and wholesale service, in a metropolitan statistical area (MSA) we consider strong;
- The system's strong operational profile, with raw water provided by the Tarrant Regional Water District (TRWD), reducing some of the financial and operational risk to the city; and

- A pass-through of wholesale rate increases, with a regular review and as-necessary adjustment of base rates, helping preserve the system's financial risk profile.

The system serves a deep and diverse customer base with a total population estimate of 1.1 million, including Fort Worth and more than 30 communities in much of Tarrant County. In addition to the almost 255,000 retail metered accounts, wholesale revenues will provide about 20% of total budgeted 2019 operating revenues. Despite that, the system's 10 largest retail customers contributed less than 5% to operating revenues, indicating no revenue concentration.

The Fort Worth MSA remains one of the more robust in the state, led by health care, professional services, and construction, sectors which have more than offset the energy sector's weakness since the drop in commodity prices. The city is also home to Texas Christian University, Texas Wesleyan University, a robust community college system, and numerous other institutions of higher learning. Therefore, the median household effective buying income (MHHEBI) for Tarrant County is approximately in line with the nation's. The county's unemployment rate was 3.3% as of March 2019, below the national average. We view the economic fundamentals as likely to remain an identified area of strength. In the long term, Fort Worth is well positioned for further growth due to the significant undeveloped-but-developable land within city limits and a larger amount of undeveloped land within its extraterritorial jurisdiction.

The city purchases raw water from TRWD before treating it at five city-owned water treatment plants with a combined 500 million-gallon-per-day (mgd) treatment capacity. Capacity is more than sufficient to meet 2017's 263 million gallon peak day demand. The larger focus is on enhancing the long-term water supply. The extraordinary rainfall in May 2015 by itself replenished the district's reservoirs to--and in some cases even above--capacity. Even before that, however, the city had water conservation-oriented rates, outdoor watering and public education programs, and other resource management policies for years. Given the MSA's robust economic performance, TRWD is gearing up its efforts for future growth. This includes the integrated pipeline project (IPL), a joint venture with Dallas to move water from a reservoir southeast of the region. The district is projecting the first phase of the IPL to be operational by 2021, at an eventual cost of about $2.4 billion; based on capacity allocations, about $1.4 billion of that would be allocable to the district. The city generally accounts for 55%-60% of TRWD's annual operating revenues. Given the magnitude of the district's capital commitments, Fort Worth is anticipating wholesale water costs will continue increasing substantially, from $1.28 per 1,000 gallons currently.

The city's wastewater system is an operational strength, in our view. Its main treatment plant has 166 mgd of rated capacity, although a portion of the waste is sent to Trinity River Authority's (TRA) 11.5-mgd-capacity Denton Creek and Central Regional facilities by way of a contractual commitment to TRA. The facilities meet the city's 114-mgd average flow. Several years ago, Fort Worth executed an agreement with the state environmental agency that pre-empts any unfunded mandates in exchange for the city increasing levels of collection system maintenance, repairs, and reporting. Furthermore, the wastewater treatment plant permit does not expire until the end of the decade. All of this precludes any kind of regulatory-driven CIP projects that could further stress finances.

Because of the strong operational profile, the city's user rates are very affordable, in our view. Based on S&P Global Ratings' universal assumption of 6,000 gallons of both residential water and sewer service, the current bill is about $69, or a modest 1.8% of MHHEBI. The most recent rate increases--just over 4% each for water and sewer--took effect January 2018; the city did not adjust rates for fiscal 2019. Management has a goal to review rates regularly and adjust the base rate as necessary, in addition to fully recovering any wholesale cost increases. We believe this is an important strength that lends itself to credit stability.

Based on our operational management assessment (OMA), we view Fort Worth as a '2' on a scale of '1' to '6', '1' being the strongest. This indicates, in our view, that operational and organizational goals are generally well aligned, even if some challenges exist. The OMA of good includes a firm, long-term water supply by way of TRWD; a collaborative agreement with the state environmental regulator by which Fort Worth has a proactive capacity; management; operations and maintenance program for the sewer system; and a rate review at least annually. The city has also been a regional leader in water conservation and drought management, and has a lost water percentage that is in line with that of peer cities but remains a focus of both the operating budget via an aggressive leak detection program and the CIP via main replacements.

Financial risk

Fiscal 2018 ended with annual DSC of over 2.0x, and by S&P Global Ratings' adjusted "all-in DSC" an extremely strong 1.68x. This exceeded management's policy to set rates to achieve at least 1.5x DSC before transfers to the general fund. We have reviewed management's forecast that indicates all-in DSC will–very conservatively–approach just under 1.4x, and based on our stress scenarios, would most likely be no lower than 1.2x.

Liquidity continues to increase steadily, with $155.9 million in total available reserves, equivalent to 146 days of operating expenses in fiscal 2018. Fort Worth's policy is to maintain working capital equivalent to 25% of recurring operating expenses, and cash on hand of 62-250 days of operations. The five-year CIP (through fiscal 2024) estimates that pay-as-you-go sources will contribute 37% of the total funding, so we expect that there could be some year-to-year rise and run to available reserves, but that the general trend will be in line with management's policies.

The city's five-year CIP has identified approximately $1.08 billion in capital projects through fiscal 2024. Regular use of additional debt is anticipated, including state loans for both distribution and collection system infrastructure. We understand Fort Worth might also issue parity revenue bonds annually, but this will depend on internal priorities and not regulatory mandates. The city also has in place a $150 million commercial paper (CP) program that it could choose to use as an interim funding mechanism.

Based on our financial management assessment (FMA), we view Fort Worth to be a '2' on a scale of '1' to '6', '1' being the strongest. We have revised the score from '1'. The revision reflects the overall albatross of the pension's net position on the city, specifically the recent trend of underfunding the ADC. Still, an FMA of good indicates that practices are generally well embedded, and likely sustainable. The management team maintains most of the best practices we believe are critical to supporting credit quality and these are well embedded in the government's daily operations and practices. Formal policies support many of these activities, adding to the likelihood that these practices will continue and transcend changes in the operating environment or personnel. This includes comprehensive long-term planning for both the operational and capital budgets, regular monitoring of year-to-date and budget-to-actual results, and policies speaking to minimum working capital levels.

We consider bond provisions neutral to credit quality, especially given current financial metrics are maintained well above the rate covenant; these equal 1x annual parity debt service. The additional bonds test equals 1.1x parity maximum annual debt service (MADS) and 1.25x average annual parity debt service.

Pensions

The city's agent multiple-employer defined-benefit pension plan, the Employee's Retirement Fund of the City of Fort Worth, has experienced a steady decline in funded status since 2010, primarily due to contributions less than the actuarial recommendations. Contributions to the city's pension plan are statutorily defined and have been well below the ADC in recent years, causing further deterioration of the plans funded status. As of Jan. 1, 2010, the plan's actuarial funded ratio was 81.2%. As of the most recent actuarial valuation (Sept. 30, 2018), the plan was extremely weakly funded on a GASB basis, at 42.9%, with a net pension liability of $3.1 billion, of which 10.7% is allocable to the water and sewer fund. The city made 71% of its ADC in 2018. GASB liabilities were calculated using a single discount rate of 7.75%, which we view as representing a target asset portfolio that contains high market risk. Aside from its pension benefits, Fort Worth provides certain OPEBs for retired employees. As of Sept. 30, 2018, the plan was 7.23% funded based on a single discount rate of 3.53%. The city discontinued OPEBs for employees hired after 2008. At Sept. 30, 2018, the citywide OPEB liability was $883 million, down from $940 million in the previous year.

In December 2018, the City Council approved changes to the city's pension plan. These changes were approved by plan members in February 2019. Additionally, changes were made to the plan's actuarial assumptions in March 2019. The changes approved by members in February of this year include the elimination of cost-of-living adjustments for all service credits earned or purchased on or after July 20, 2019, and employee and employer contribution increases. These contribution changes include a fixed contribution increase, whereby the city contribution rate will rise by 4.5% in July 2019, police officer contributions will increase by 4.4% over a period of three years, firefighters will contribute 3.8% more over a period of two years, and general employees will begin contributing anywhere from 1.1% to 1.8% beginning in July 2019. Beginning in 2022, if the ADC remains in excess of actual contributions to the plan, a risk-sharing mechanism will go into effect and boost contributions further for the city and all employee groups, with a cap equal to 4% of payroll. In fiscal 2018, Fort Worth contributed 19.74% of retirement-eligible wages to the plan for general employees and firefighters, and 20.46% for police officers. With annual budgeted increases in the city's contribution rates in fiscal years 2018 and 2019 (2% total) and additional increases beginning in fiscal 2020, we still expect contributions to fall short of the ADC during the next several years, notwithstanding any other changes. As a result, the effective city contribution rate is expected to amortize the unfunded liability over an extremely extended period, as a level percentage of payroll. Payroll growth is assumed to be 3% per year.

Actuarial changes were also made in March 2019 and include a reduction in the discount rate from 7.75% to 7.0% and the use of an updated mortality assumption that uses generational mortality improvements for projections. These actuarial assumptions will likely result in an increase in the pension liability and thus a decline in the funded ratio and an increase in the ADC beginning in fiscal 2020. Officials indicate that after these assumption changes are incorporated into the new employee and city contribution rates, but the debt will not fully amortize the pension liability within 30 years but instead within 44 after incorporating the above-mentioned risk-sharing mechanism.

Defining benefits, setting contribution rates, and funding contributions of the plan are administered by the mayor and City council. The governing body has the ability to alter benefits, but not increase employee contributions without a successful employee vote. Although we believe these benefit, contribution, and actuarial changes will better position the city to address its pension liability, we do not expect the plan's funded status to improve in the near term and we do not believe the city's contribution costs as a percentage of its total governmental expenditures will decline. It is also likely that the net pension liability will increase, lowering the funded ratio, once the 2019 pension CAFR is completed due to the recognition of updated actuarial assumptions. Despite our expectations that these metrics will not improve and will likely worsen during the outlook period, we view these changes as a positive development for the city since they provide an updated picture of the liability.

Commercial paper

The CP program--which does not have a separate liquidity provider--will essentially act as bond anticipation notes to provide interim funding for identified and approved projects for the city-owned waterworks and sanitary sewer system. CP notes will carry the standard maximum maturity of 270 days, and an authorization that will allow staff to act in a manner to retire or roll over notes in whatever means reasonable and available. Because of the underlying long-term rating on the system as well as what we view as reasonable market access of the city, we do not view this as introducing contingent risks to the utility system. Similarly, management expects to call outstanding notes prior to their redemption date. If the notes are not called, the interest rate would "step up" to the greater of the Securities Industry and Financial Markets Association (SIFMA) index plus 300 basis points (assuming the current rating of 'AA+') or 7%; the maximum interest rate would be 10%, but that rate would also most likely also be associated with some kind of credit concern associated with a rating below 'A-', which we currently view as remote. We understand that the city, in a worst-case scenario of market disruption and insufficient available reserves in the utility fund, could resort to interfund borrowing to retire the notes.

US Bank N.A. will act as the issuing and paying agent. JP Morgan Securities LLC will act as dealer.

Ratings Detail (As Of May 23, 2019)		
Fort Worth WS CP		
Short Term Rating	A-1+	Affirmed
Fort Worth		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Long Term Rating	AA+/Stable	Affirmed

Many issues are enhanced by bond insurance.

Fort Worth, Texas

New Issue Report

Ratings

Long Term Issuer Default Rating	AA+

New Issue

$105,355,000 General Purpose Bonds, Series 2019	AA+
$8,745,000 Tax Notes, Series 2019	AA+

Outstanding Debt

General Purpose Bonds	AA+
Combination Tax and Revenue Certificates of Obligation	AA+
Tax Notes	AA+

Rating Outlook

Negative

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New Issue Summary

Sale Date: June 11, 2019, via competitive sale.

Series: $105,355,000 General Purpose Bonds, Series 2019; $8,745,000 Tax Notes, Series 2019.

Purpose: Bonds: finance various municipal improvements. Notes: finance vehicle and equipment purchases.

Security: Limited ad valorem tax.

Analytical Conclusion

Fort Worth's 'AA+' Issuer Default Rating (IDR) and limited tax obligation rating reflect Fitch Ratings' expectation of strong operating performance through the economic cycle, as well as solid economic and revenue prospects. Fitch maintains the Negative Rating Outlook to analyze over the coming review cycle the impact of recent pension reforms on both expenditure flexibility and operating performance.

The Fort Worth city council and city employees approved of a reform package for the city's single employer pension plan that adjusts benefits, increases both employee and city contributions and reduces a previously infinite amortization horizon to an estimated 44 years. This amortization period exceeds several state of Texas recommended maximum amortization periods and also exceeds the funding objective for the plan as outlined in the city code. Management characterizes the 2018 reforms as the latest step in the reform process.

Economic Resource Base: Fort Worth is a major anchor in the Dallas-Fort Worth regional economy, with a population of nearly 875,000. The metropolitan area employment base is extensive, and while military-related spending still accounts for a significant part of the local economy, recent gains in other sectors such as services, construction, and trade have diversified the labor force.

In addition, ranching, manufacturing, technology, education, and aerospace are significant components of the Fort Worth area economy and serve to diversify economic activity. Economic prospects for both the city and the metropolitan area as a whole are positive.

Key Rating Drivers

Revenue Framework: 'aaa'
Growth prospects for revenue are strong, based on recent gains in taxable values and sales tax receipts as well as ongoing economic development. Property tax rates, while high compared to other Texas cities, have been trending downward and remain well below statutory and city charter caps.

Expenditure Framework: 'aa'
The natural pace of spending growth is expected to be in line with to marginally above revenue growth as service demands continue to grow. Management retains solid overall expenditure flexibility. Carrying costs are somewhat elevated for the rating level, but a descending debt service schedule should offset increasing pension contributions and keep carrying costs in check.

Rating History

Rating	Action	Outlook/ Watch	Date
AA+	Affirmed	Negative	5/30/19
AA+	Affirmed	Negative	5/17/18
AA+	Affirmed	Stable	7/30/12
AA+	Affirmed	Positive	8/04/11
AA+	Revised	Stable	4/30/10
AA	Downgraded	Stable	8/09/07
AA+	Affirmed	Stable	3/14/03
AA+	Upgraded	—	5/23/00
AA	Assigned	—	8/20/92

Related Research

Fitch Rates Fort Worth, TX $114MM LT Bonds, Tax Notes 'AA+', Affirms IDR; Outlook Negative (May 2019)

Related Criteria

U.S. Public Finance Tax-Supported Rating Criteria (April 2018)

Long-Term Liability Burden: 'aa'

The combination of overall debt and net pension liability (NPL) is moderately elevated at 18% of personal income. Recent pension reforms likely will apply a modest amount of upward pressure on the overall liability total due to various assumption changes.

Operating Performance: 'aaa'

The city's sound financial resilience suggests the highest level of gap-closing capacity through a typical business cycle. The ongoing deferral of a portion of annual pension costs, even after incorporating the recent pension changes, weakens the budget management assessment to a degree.

Rating Sensitivities

Pension Sustainability: Recent pension reforms include more sustainable plan assumptions and call for increased contributions to the single employer plan. Continued progress toward plan sustainability and closing of the gap between actual and actuarially determined pension contributions (ADCs) could return the Rating Outlook to Stable; conversely, a widening of that gap and a material increase in the long-term liability burden likely will result in a downgrade.

Credit Profile

The city has registered solid gains recently in employment, building permits, tax base and sales tax revenues in conjunction with overall regional economic gains. Fort Worth's population continues to grow (up more than 3% annually since 2000). In addition, the city's extra-territorial jurisdiction is sizable and provides opportunity for future annexation and growth.

Management reports a number of commercial, residential and industrial projects either underway or planned in the city. American Airlines Group, Inc. is nearing completion of its new 1.8 million square-foot corporate headquarters; AMR employs roughly 25,000 workers in the area and is the city's largest employer. The defense sector concentration in the local economy exposes local employers to periodic federal spending cutbacks. Lockheed Martin is the city's second largest employer with about 13,700 workers. Other noteworthy projects include continued expansion at Alliance Texas (a major mixed-used project with 48,000 workers), recent completion of a new 25-story downtown office tower and ongoing construction of a new city-owned multi-purpose arena (completion projected for November 2019).

The city continues to add to employment totals as the regional economy expands. In February 2019, the city's unemployment rate stood at 3.8%, unchanged from the prior year and below the state and national averages for the month. Taxable values have registered gains in the past eight years and the fiscal 2019 taxable valuation totals $67.8 billion, up more than 10% from the prior year. A near-record 14,000 building permits approved by the city in 2018 indicate continued near-term tax base and overall economic expansion will continue for the near term.

Revenue Framework

Property and sales taxes are the dominant operating revenue sources for Forth Worth, together representing more than 80% of fiscal 2018 general fund revenues. Each component has exhibited solid increases following recessionary and energy sector-related declines in the 2009–2011 period.

The city's historical revenue performance over the last ten years — adjusted for tax rate changes — registered a 3.5% CAGR, generally tracking U.S. GDP growth over the same period and overcoming the collapse of natural gas prices that significantly impacted operating revenues for several years. Given recent revenue trends and current economic activity, the expectation is that future revenue growth will continue this pattern. The positive growth prospects for the city and for the Dallas-Fort Worth region suggest continuation of recent healthy gains in economically sensitive revenues. Fort Worth sales tax collections have averaged more than 5% annual increases over the past six years.

Fort Worth retains a significant margin below its statutory and city charter property tax limitations, providing notable flexibility in terms of legal ability to increase operating revenues.

Expenditure Framework

As is the case with many cities, public safety is the largest general fund cost driver, representing two-thirds of fiscal 2018 spending. Culture and recreation and general government (both at 10%) were the next largest spending components.

Fitch expects spending growth will largely track revenue trends over the near term, as an expanding population and area economy will generate increased service demands. Additional spending pressure also will come from pension contributions, which have fallen short of actuarially required amounts recently and will be increasing in the near term.

A favorable workforce environment (in terms of contractual arrangements and management control), annual pay-go capital spending and the city's demonstrated budgetary responsiveness underpin an overall solid expenditure flexibility profile. Carrying costs (debt service and retiree benefit contributions) have been increasing and totaled 23% in fiscal 2018 governmental spending. The increases have been driven primarily by growing ADCs, which have exceeded the actual amounts contributed in recent years. The recent pension reform package calls for additional increases in city contributions (in addition to larger employee contributions), but the outlays will still fall short of required amounts. Further reform measures will be necessary to close the gap between actuarial and actual contribution amounts. The city does retain some capital-related taxing margin that could be redirected to benefit contributions if necessary; a descending debt service schedule also will enable the city to absorb increasing pension costs.

Long-Term Liability Burden

Fort Worth's long term liability burden (overall debt and the Fitch adjusted NPL is moderately elevated at 18.5% of total personal income. The direct debt component is comprised primarily of tax-supported debt issued for basic infrastructure improvements; $630 million in long term obligations are outstanding (not including the current offerings). Capital needs appear affordable, with annual borrowings planned to continue both the 2014 and 2018 GO bond authorizations. Approximately $370 million will remain in authorized but unissued debt, following the $114.2 million in sales of long-term bonds, to address needs associated with streets, parks, library, safety and other items.

The city maintains a single employer pension plan for retirees, with employer contribution rates set by city council action. The city reported a fiscal 2018 plan total liability of $5.35 billion and assets of $2.27 billion, resulting in an NPL of $3.08 billion (assets covering 42% of the liability). The calculation used a 5.13% blended discount rate and projected a depletion date of around 2050. The NPL has been climbing due to weaker than expected investment performance and changed plan assumptions.

The city in recent years made a number of adjustments to civil and public safety retiree benefits in an effort to shore up the plan. Beginning in 2011 these changes included increasing the retirement age, removing overtime from the compensation base and eliminating COLAs. Contribution amounts have trailed actuarial requirements over the past several years, however, negating the benefit adjustments and resulting in the increasing NPL and infinite projected amortization period.

Recognizing that more significant reforms were required to ensure the plan's sustainability, the city in 2015 appointed a pension review committee comprised of plan stakeholders and citizens. The committee proposed a series of plan changes that addressed both benefit levels and contribution amounts. The city council approved the reform package in December 2018, and after a series of informational meetings 74% of voting city employees approved the changes in early 2019.

Highlights of the Reform Measure

- Increased annual city contributions (from 19.74%–20.46% of pay, depending on employee group, to 24.24%–24.96%).
- Increased employee contributions (from 8.25%–8.73% to 9.35%–13.13% over the next two years).
- Elimination of COLA for future service effective 7/20/2019.
- Variable COLA for active eligible employees based on plan performance.
- Risk sharing provision that, beginning in 2022, requires city and employee contributions to each increase by 2% annually (with a maximum 4% increase) if actual contributions fall short of the actuarially determined amount for two consecutive years (assuming a 30-year closed amortization period and a discount rate calculated by averaging a rate provided by two independent sources).
- A reduction in the plan discount rate from 7.75% to 7%.

An actuarial study that includes these plan changes notes that initial contribution increases will still leave total contributions below actuarially determined amounts. As a result, the study projects the additional contributions required under the risk sharing provision will begin in 2022 and estimates an amortization period of 44 years. Acknowledging that this projected amortization period extends beyond industry norms and the plan objectives detailed in the city code, management anticipates additional plan adjustments in the future.

OPEB benefits are limited to employees hired before Jan. 1, 2009, and the city has established a trust for this obligation. Assets in the trust at Sept. 30, 2017 were valued at roughly $68 million, or roughly 7% of the total OPEB liability; the net OPEB liability represents 2.4% of total personal income.

Operating Performance

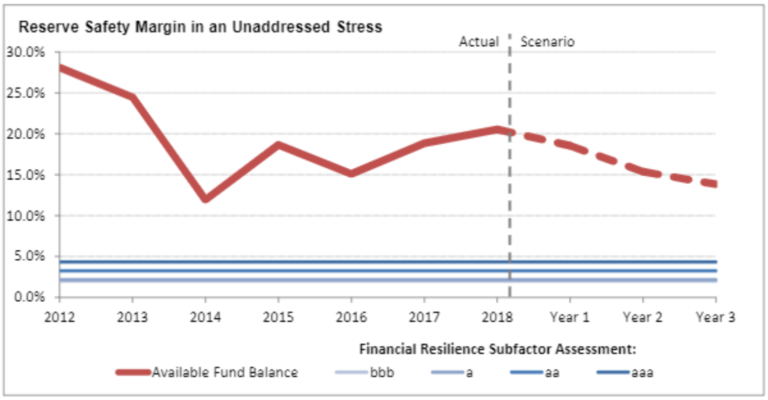
Fitch expects that operating reserves will remain above levels consistent with an 'aaa' resilience assessment level throughout a typical business cycle. For details, see Scenario Analysis, page 6.

The city contributes annually to pay-as-you-go capital spending ($35 million to $40 million, or about 6% of fiscal 2019 budgeted general fund spending), which the city could adjust to react to changing economic conditions or increases in pension contributions. The budget management assessment is negatively affected by continued funding of the city's pension obligation below the ADC. The fiscal 2018 contribution of $93.5 million was $38.2 million (or nearly 3% of governmental spending) below the ADC. The projected fiscal 2019 contribution of $119 million will also fall short of the $152 million ADC. Current projections include steadily increasing annual contribution totals over the next decade.

Fiscal 2018 general fund results included a $17.3 million surplus after transfers, increasing the unrestricted fund balance to more than $137 million or 21% of spending. Management currently is projecting another positive general fund result for fiscal 2019. Tax revenues and expenditures reportedly are both outperforming original budget projections, contributing to an expected $5 million surplus after transfers at year-end.

Fort Worth (TX)

Scenario Analysis



Analyst Interpretation of Scenario Results:

Fitch expects that operating reserves will remain above levels consistent with an 'aaa' resilience assessment level throughout a typical business cycle. The city has demonstrated an ability and willingness to reduce spending during a downturn, and retains a number of budgetary tools to respond to changing economic conditions and to maintain reserves comfortably above the policy minimum of 10% of spending.

Scenario Parameters:	Year 1	Year 2	Year 3
GDP Assumption (% Change)	(1.0%)	0.5%	2.0%
Expenditure Assumption (% Change)	2.0%	2.0%	2.0%
Revenue Output (% Change)	(2.2%)	0.8%	3.7%
Inherent Budget Flexibility		Superior	

Revenues, Expenditures, and Fund Balance	Actuals							Scenario Output		
	2012	2013	2014	2015	2016	2017	2018	Year 1	Year 2	Year 3
Total Revenues	500,193	509,206	518,037	542,710	569,916	596,168	634,378	620,637	625,298	648,228
% Change in Revenues	-	1.8%	1.7%	4.8%	5.0%	4.6%	6.4%	(2.2%)	0.8%	3.7%
Total Expenditures	534,794	557,707	553,598	549,049	565,732	590,546	615,266	627,571	640,123	652,925
% Change in Expenditures	-	4.3%	(0.7%)	(0.8%)	3.0%	4.4%	4.2%	2.0%	2.0%	2.0%
Transfers In and Other Sources	55,263	58,535	58,512	68,788	42,554	57,528	50,465	49,372	49,743	51,567
Transfers Out and Other Uses	15,844	17,124	98,244	23,930	39,378	59,622	52,325	53,372	54,439	55,528
Net Transfers	39,419	41,411	(39,732)	44,858	3,176	(2,094)	(1,860)	(4,000)	(4,696)	(3,961)
Bond Proceeds and Other One-Time Uses	-	-	-	-	-	-	-	-	-	-
Net Operating Surplus(+)/Deficit(-) After Transfers	4,818	(7,090)	(75,293)	38,519	7,360	3,528	17,252	(10,934)	(19,521)	(8,658)
Net Operating Surplus(+)/Deficit(-) (% of Expend. and Transfers Out)	0.9%	(1.2%)	(11.6%)	6.7%	1.2%	0.5%	2.6%	(1.6%)	(2.8%)	(1.2%)
Unrestricted/Unreserved Fund Balance (General Fund)	154,780	140,565	77,817	106,981	91,360	122,610	137,177	126,243	106,723	98,065
Other Available Funds (GF + Non-GF)	-	-	-	-	-	-	-	-	-	-
Combined Available Funds Balance (GF + Other Available Funds)	154,780	140,565	77,817	106,981	91,360	122,610	137,177	126,243	106,723	98,065
Combined Available Fund Bal. (% of Expend. and Transfers Out)	28.1%	24.5%	11.9%	18.7%	15.1%	18.9%	20.5%	18.5%	15.4%	13.8%

Reserve Safety Margins	Inherent Budget Flexibility				
	Minimal	Limited	Midrange	High	Superior
Reserve Safety Margin (aaa)	34.7%	17.3%	10.8%	6.5%	4.3%
Reserve Safety Margin (aa)	26.0%	13.0%	8.7%	5.4%	3.2%
Reserve Safety Margin (a)	17.3%	8.7%	5.4%	3.2%	2.2%
Reserve Safety Margin (bbb)	6.5%	4.3%	3.2%	2.2%	2.0%

Notes: Scenario analysis represents an unaddressed stress on issuer finances. Fitch's downturn scenario assumes a -1.0% GDP decline in the first year, followed by 0.5% and 2.0% GDP growth in Years 2 and 3, respectively. Expenditures are assumed to grow at a 2.0% rate of inflation. Inherent budget flexibility is the analyst's assessment of the issuer's ability to deal with fiscal stress through tax and spending policy choices, and determines the multiples used to calculate the reserve safety margin. For further details, please see Fitch's US Tax-Supported Rating Criteria.

The ratings above were solicited and assigned or maintained at the request of the rated entity/Issuer or a related third party. Any exceptions follow below.

Fort Worth, Texas

Water and Sewer System Revenue Bonds

New Issue Report

Ratings

New Issue

Water and Sewer System Revenue Bonds, Series 2019	AA

Outstanding Debt

Water and Sewer System Revenue Bonds	AA

Rating Outlook

Stable

Related Research

2019 Water and Sewer Medians (November 2018)

2019 Outlook: Water and Sewer Sector (December 2018)

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New Issue Details

Sale Information: Approximately $96,090,000 Water and Sewer System Revenue Bonds, Series 2019, to sell June 11 competitively.

Security: First lien on the net revenues of the combined water and sewer system including any additional pledged revenues. Pledged revenues exclude impact fees. The series 2019 bonds will not be secured by debt service reserve fund.

Purpose: To fund improvements and extensions to the system and pay costs of issuance.

Final Maturity: Feb. 15, 2049.

Key Rating Drivers

Stable Financial Performance; Improving Liquidity: Fitch Ratings-calculated all-in debt service coverage (DSC) has averaged 1.9x over the past three years and cash balances continue to gradually improve. Continued planned rates adjustments, along with adopted financial policies related to cash balances should result in improving liquidity and stable DSC over the coming five years.

Average Direct Debt: Direct system debt levels are comparable to similarly rated credits and overall system leverage, as measured by debt to funds available for debt service (FADS), has trended down since 2013. Leverage is anticipated to remain relatively stable despite plans for additional debt over the next five years to support capital spending.

Increased Capital Spending: The current capital improvement plan (CIP) totals about $1.1 billion and is primarily focused on wastewater system upgrades, including the upgrade of the city's Village Creek Reclamation Facility, and an additional plant in the out-years of the plan.

Sound Revenue Defensibility: Despite continued rate adjustments, system rates remain affordable and retain flexibility. The system's rate structure provides for over 25% of cost recovery through a fixed base rate. Planned increases over the next five years moderately grow the user charges. The currently affordable rates, coupled with expectations for gradually increasing MHI, should provide continued rate flexibility to handle future adjustments.

Wholesaler Pressures: Fort Worth's (the city) reliance on wholesale providers creates cost pressures outside of the utility's direct control. System debt levels are elevated when taking into account off-balance sheet debt of its wholesale providers Tarrant Regional Water District (the district) and Trinity River Authority (the authority).

Large And Diverse Service Area: Fort Worth is a major anchor in the Dallas-Fort Worth regional economy, with a population of roughly 6.5 million. The system continues to experience moderate growth in its customer base.

Rating Sensitivities

Timely Rate Recovery; Leverage: Maintenance of adequate debt service coverage and liquidity levels will continue to be a key rating consideration as the city of Fort Worth water and sewer system funds planned capital needs. Failure to increase rates to support additional debt carrying cost could pressure the rating. Conversely, continued improvement of leverage over time could result in positive rating momentum.

Rating History

Rating	Action	Outlook/ Watch	Date
AA	Affirmed	Stable	5/29/19
AA	Affirmed	Stable	5/17/18
AA	Affirmed	Stable	5/11/17
AA	Affirmed	Stable	5/11/16
AA	Affirmed	Stable	7/15/15
AA	Affirmed	Stable	1/27/14
AA	Downgraded	Stable	4/10/13
AA+	Affirmed	Stable	8/1/12
AA+	Affirmed	Stable	8/4/11
AA+	Revised	Stable	4/30/11
AA	Affirmed	Stable	4/21/10
AA	Downgraded	Stable	8/9/07
AA+	Upgraded	Stable	10/6/00
AA	Assigned	—	1/9/96

Credit Profile

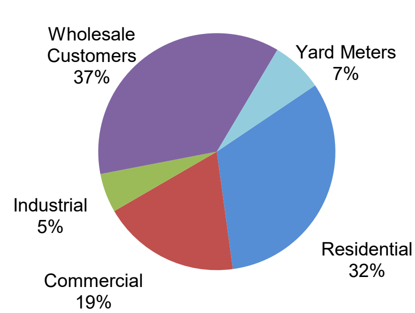
The system provides retail service to the city and a portion of the surrounding area through over 250,000 separate user accounts. In addition, the system provides wholesale water and sewer treatment to numerous surrounding communities for a total service area population of over 1.2 million. The system continues to record steady customer growth, averaging almost 2% annually over the past five years. With an estimated 2017 population of over 874,000, Fort Worth's population continues to grow. The city's extraterritorial jurisdiction is also sizable and provides opportunity for future annexation and growth.

Steady Financial Metrics

Financial results for the past three years are stable with Fitch-calculated DSC averaging a solid 2.0x. Fitch calculated liquidity registers just under 140 DCOH for fiscal 2018, and has grown year over year since 2015. The city adopted formal policies in 2015 relating to minimum cash balances, which targets cash balances of no less than 62 DCOH with a goal of 250 DCOH. This policy will help ensure cash balances remain stable.

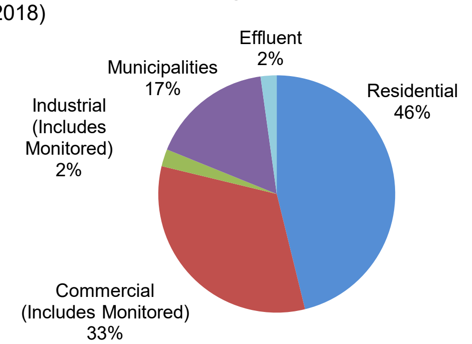
City financial projections through fiscal 2024, which exclude connection fees and all noncash expenses, point to all-in DSC around 1.8x. The forecast assumes additional annual rate increases and accounts for increased debt service costs from current and planned debt issuances. Management has expressed its commitment to maintaining all-in coverage at its policy of 1.5x or above before transfers by adjusting rates as needed.

All Water Sold by Category 2018
(Million Gallons)



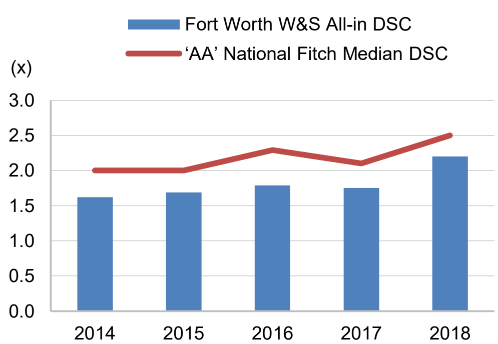
Source: City of Fort Worth 2018 disclosure document.

Wastewater Sales by Customer Class
(2018)



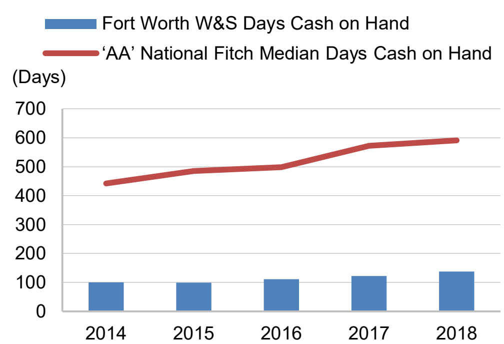
Source: City of Fort Worth 2018 disclosure document.

All-in Debt Service Coverage
(City versus Median)



Note: Median year reflect the prior fiscal year results.
Source: Fitch Ratings.

Days Cash on Hand
(City versus Median)



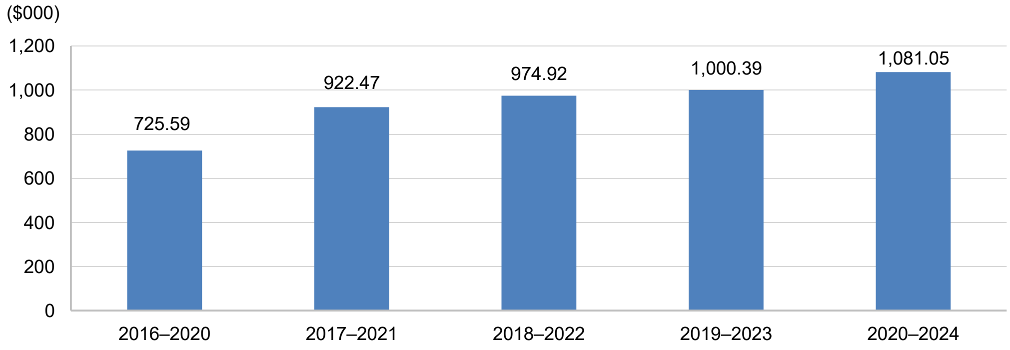
Note: Median year reflect the prior fiscal year results.
Source: Fitch Ratings.

Related Criteria

Public-Sector, Revenue-Supported Entities Rating Criteria (May 2019)

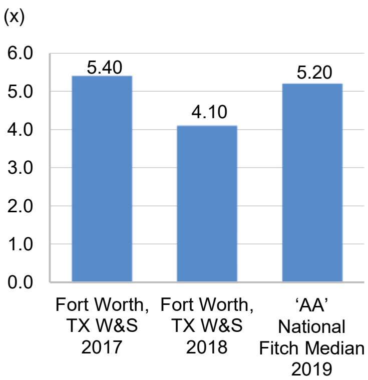
U.S. Water and Sewer Rating Criteria (November 2018)

Fort Worth Five-Year CIP Comparison



Source: City of Fort Worth.

Debt/Funds Available for Debt Service



Source: Fitch Ratings.

Increasing Capital Spending

The system's fiscal years 2020–2024 CIP totals almost $1.1 billion, up 8% from the prior year's CIP. Starting with the fiscal years 2017–2021 CIP, the system accelerated several sewer projects due to development of the Tarleton State University — Fort Worth Campus along with growth in other areas. The current plan continues to focus on updates and improvements to the city's sewer system.

The plan will be about 50% debt supported and 50% restricted reserve for capital projects and cash from operations. Existing debt ratios compare favorably to Fitch's 'AA' medians. Fiscal 2018 debt to net plant is 32% compared to Fitch's 'AA' rating category median of 46% and debt to FADS 4.1x, stronger than Fitch's 'AA' median of 5.2x. System leverage is expected to grow modestly with the inclusion of planned debt financings for CIP.

Direct debt levels are projected to increase with debt per customer expected to grow to over $2,000, elevated compared to Fitch's 'AA' median of $1,673. The system's debt structure also includes a $150 million commercial paper (CP) program utilized for appropriation authority. There is currently nothing outstanding on the CP line.

Solid Rate Flexibility; Tempered Rate Increases

The combined water and sewer monthly bill of just over $74, assuming usage of 10 hundred cubic feet (ccf) per month for water and eight ccf per month for sewer, equals an affordable 1.5% of MHI, providing the system sufficient rate flexibility. City council has typically adjusted rates when necessary, and it will be important that this continue in order to keep purchased water costs from eroding financial performance and to ensure adequate funding of capital.

Since 2014, the city has been restructuring its own rates by shifting a greater portion of its volumetric water charges to fixed charges, which Fitch views positively, as it reduces revenue variability. Fixed charges currently comprise about 25% of the combined water and sewer bill.

For fiscal 2019, the city did not adopt rate increases providing a rate holiday following several years of rate adjustments. Anticipated annual rate adjustments are expected to resume in 2020 through 2024 and anticipated to be no larger than 5%. Continued implementation of rate increases should ensure consistent financial metrics, while continuing to support increased debt carrying costs, higher water purchase costs and system maintenance.

Water Supply and Declining Wholesale Provider Rates

The city has its own water treatment facilities and purchases raw water supplies on a wholesale basis from the district. The majority of sewer flows are treated at the city's owned and operated sewer facility, but a small portion are treated at authority sewer treatment plants. Total costs for purchased water and sewer treatment from the district and the authority equaled 28% and 4% of operating expenses, respectively, in fiscal 2018 and are paid prior to debt service on the bonds.

Fort Worth is the district's largest customer, accounting for over 60% of the district's sales. The district's debt burden has grown due to investment in the integrated pipeline project (IPL), which is expected to provide water through at least 2040. District debt doubled from 2010 to 2015 and additional debt is planned through 2022, translating into higher purchased water costs for the city. As the district moves through its capital expansion cycles, rate adjustments have been necessary to support rising wholesale pass-through costs. Following several years of above-average increased purchased water costs, the city’s purchased water costs saw a small decline in fiscal 2018. Purchased wholesale costs comprise about 30% of the city's operating expenses.

Sound Economic Fundamentals

The metropolitan area employment base is extensive. While military-related spending still accounts for an estimated one-quarter of the economy, recent gains in other sectors, such as services, construction and trade have helped diversify the labor force. For March 2019, the city's unemployment stood at 3.8%, unchanged from the prior year and is largely on par with the state and nation. City wealth levels are on par with the state and national averages, showing some gradual improvement since 2013. The poverty rate is elevated at 16.9% compared to the national average of 14.6%.

Covenants

Security: The outstanding bonds are secured by and payable from a first lien on the net revenues of the system including any additional pledged revenues. Revenues exclude impact fees.

Rate Covenant: Rates and charges must provide sufficient revenues to pay operating and debt service expenses and all other system financial obligations.

Additional Bonds Test: Additional bonds may be issued if net revenues for either the preceding fiscal year or any consecutive 12 months ending no more than 90 days before the issuance of parity debt equal at least 1.25x pro forma average ADS and 1.10x pro forma MADS.

Debt Service Reserve Fund: The city reserves the right to establish and fund a reserve fund for the benefit of the owners and holders of the parity bonds. No reserve fund has been funded for the series 2015, 2016, 2017 and 2018 bonds. The required reserve amount for prior senior lien debt issuances is funded with Ambac and AGM surety policies.

Flow of Funds: Revenues to meet system obligations are distributed in the following order of priority:

- operating expenses;
- debt service fund; and
- reserve fund, if necessary.

Financial Summary

($000, Audited Years Ended Sept. 30)	2014	2015	2016	2017	2018
Balance Sheet					
Unrestricted Cash and Investments	61,929	68,451	81,786	93,996	110,312
Other Unrestricted Current Assets	53,651	68,146	57,422	53,107	56,280
Current Liabilities Payable from Unrestricted Assets	(79,826)	(80,946)	(81,559)	(78,629)	(79,881)
Net Working Capital	**35,754**	**55,651**	**57,649**	**68,474**	**86,711**
Net Fixed Assets	2,382,996	2,438,881	2,463,215	2,559,102	2,646,586
Long-Term Debt Outstanding	855,745	837,749	831,583	870,675	854,089
Operating Statement					
Operating Revenues	361,979	389,205	417,299	425,615	468,171
Non-Operating Revenues Available for Debt Service	2,681	2,020	2,170	1,906	5,378
Connection Fees	10,227	23,314	12,129	15,136	26,076
Total Revenues Available for Debt Service	**374,887**	**414,539**	**431,598**	**442,657**	**499,625**
Operating Expenditures (Excluding Depreciation)	226,719	253,114	269,704	280,923	291,274
Depreciation	67,254	67,311	71,656	73,756	75,238
Net Revenues Available for Debt Service	**148,168**	**161,425**	**161,894**	**161,734**	**208,351**
Senior Lien ADS	76,253	83,807	80,251	86,615	85,780
All-In ADS	91,351	95,256	90,487	92,571	94,714
Financial Statistics					
Sr. Lien DSC	1.9	1.9	2.0	1.9	2.4
Sr. ADS (Excluding Connection Fees)	1.8	1.7	1.9	1.7	2.1
All-In ADS	1.6	1.7	1.8	1.8	2.2
All-In ADS (Excluding BABs/RZED Bonds Subsidy)	1.6	1.7	1.8	1.8	2.2
Days Cash on Hand	100	99	111	122	138
Debt/Net Plant (%)	36	34	34	34	32
Outstanding Long-Term Debt Per Customer ($)	1,864	1,795	1,761	1,799	1,718
Outstanding Long-Term Debt Per Capita ($)	732	710	679	690	673
Free Cash/Depreciation (%)	53	61	63	62	117

Note: Fitch may have reclassified certain financial statement items for analytical purposes. N.A. – Not available.
Source: Fitch Ratings, Fitch Solutions, Fort Worth.

The ratings above were solicited and assigned or maintained at the request of the rated entity/Issuer or a related third party. Any exceptions follow below.

MOODY'S
INVESTORS SERVICE

SECTOR COMMENT
30 May 2019

Rate this Research

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Local government – Texas

Property tax reform limits revenue-raising ability, a credit negative for bulk of local governments

On May 25, the Texas (Aaa stable) legislature passed property tax reform legislation (Senate Bill 2) that further limits most local governments' ability to raise revenue, a credit negative. The governor is expected to sign the bill into law, which would then take effect on January 1, 2020.

The bill reduces property tax revenue increases without voter approval to 3.5% from 8% annually on existing properties (new construction is excluded from the limit). Voter approval to override the limitation requires a simple majority. The restriction applies to the portion of municipal revenue used for government operations; it does not restrict revenue for debt service. The legislation offers some flexibility by allowing local governments to “bank” up to three years of unused margin for an increase greater than 3.5% in a year.

The measure lowers the limit for cities, counties, municipal utility districts (MUDs) and other entities that can levy a property tax, but the limit will remain at 8% for community college and hospital districts. At the same time, the bill reduces the number of signatures required to petition a rollback in the event the 8% limit is exceeded by the districts. Small local governments can increase their operational levy up to $500,000 as long as the amount does not equate to more than an 8% revenue increase derived from existing property. If the amount is above that limit, only 3% of voters are required to initiate a rollback election under Senate Bill 2, down from 7% or 10%. Under separate legislation, also expected to be signed by the governor, school districts would have to reduce tax rates if property value growth exceeds 2.5% in fiscal 2021.

With Senate Bill 2 set to take effect in fiscal 2021, local governments have time to adjust budgets, though most have already begun to prepare. The bill will mostly affect budgets that take effect in August and September of 2020.

The bill also aims to increase transparency by creating an online database that defines, simplifies and highlights proposed levy changes and provides for immediate citizen input with an online comment form and information on when public hearings will be held.

Revenue-raising ability to pay debt service not affected by legislation

Limitations on revenue-raising restrict financial flexibility, hampering credit quality. However, Senate Bill 2 does not hinder the ability to raise revenue to pay debt service.

In Texas, property taxes are set based on two legally separate rates that combine to form an overall governmental unit's levy: an "operational rate," which is subject to the revenue limit in Senate Bill 2, and a "debt service rate," which is not subject to the limit. Expenditures using funds raised under the debt service rate are defined by statute and approved and enforced by the attorney general. Revenue raised under this rate cannot be used for operational expenditures.

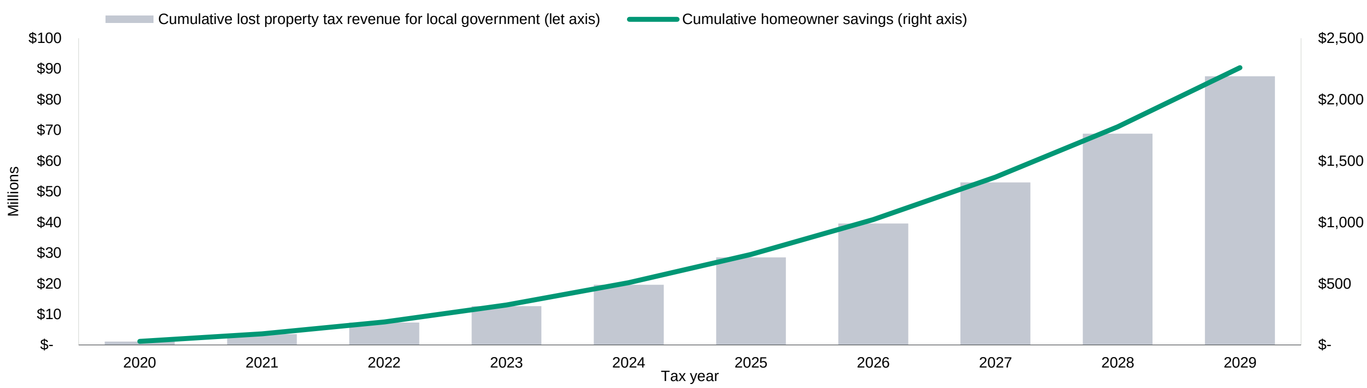
Given that the debt service levy is legally separate from the amount restricted under the 3.5% Senate Bill 2 limit, local governments will maintain direct control over the rate necessary to service debt. In Texas, most school and municipal utility debt carries a general obligation unlimited tax (GOULT) pledge; most city and county debt has a general obligation limited tax (GOLT) pledge.

Homeowner savings minimal, but budgetary impact on governments would be significant

The new legislation stands to reduce individual tax burdens minimally but hurt local governments substantially. The median home price in Texas is $150,000; the median operational tax rate is $4.30 per $1,000 of assessed value. An 8% increase in the revenue would lead to the owner of a $150,000 home paying $696.60, assuming the rate in the previous tax year was $4.30. Under the 3.5% limitation in Senate Bill 2, the homeowner would pay slightly less at no more than $667.58 — a difference of only $29.00. Under that scenario, the homeowner's cumulative savings over 10 years would be just $2,260 (see Exhibit).

For a local government with property tax operating revenues of $25 million, however, the difference between a 3.5% increase annually versus an 8% increase would translate to a cumulative 10-year loss of over three times the current year's revenues. More specifically, the 3.5% restriction would result in an $87.6 million loss in potential property tax collections over 10 years. However, the short-term impact would be much less dramatic. In the first year with municipal revenue increases subject to the 3.5% limit, the reduction in potential revenues would be only $1.1 million.

Senate Bill 2 provides homeowners with marginal property tax relief, while limiting local governments ability to raise revenue



Source: Moody's Investors Service

Economic slowdown would magnify impact of Senate Bill 2

Texas cities have relatively high debt burdens compared with their national peers — 2.0% vs. 1.1%, respectively, for Moody's-rated cities. Senate Bill 2 stands to increase debt burdens if reduced excess tax revenue forces cities to use the capital markets more frequently to address infrastructure needs versus the cash funding that traditionally has offset rising debt burdens.

If debt ratios rise while tackling capital needs, a prolonged economic slowdown and escalating debt service schedule could reduce a government's political will to increase taxes. As a result, a government may be forced to tap dwindling reserves or cut services, leading to considerable credit challenges.

Despite the limitations in Senate Bill 2, most local governments in Texas will continue to benefit from new investment resulting in taxable property not subject to the 3.5% revenue-increase limit. However, if the economy cools significantly, the restriction would become much more of a burden. For example, cities that face rising pension liabilities, debt service payments and other necessary operational costs, such as emergency response employees, would likely have fewer expenditure-cutting options.

REPORT NUMBER 1178257

MOODY'S
INVESTORS SERVICE

No Documents for this Section

A Resolution

NO. ______

**APPOINTING TWO PERSONS TO
THE BOARD OF DIRECTORS OF
MULTIPURPOSE ARENA FORT WORTH,
A TEXAS NON-PROFIT CORPORATION**

WHEREAS, Multipurpose Arena Fort Worth ("MAFW") is a privately created Texas non-profit corporation organized for the purpose of, among other things, lessening the burdens of the City of Fort Worth (the "City") and encouraging agricultural pursuits; and

WHEREAS, the City and MAFW are parties to an agreement for the lease, management, and operation of the multipurpose Dickies Arena that is being constructed in the Cultural District of the City and that will be owned by the City; and

WHEREAS, MAFW's bylaws (the "Bylaws") specify that the corporation's affairs will be directed by a board of directors (the "Board"), with two (2) places on the Board reserved for individuals appointed by the City Council (each a "City Council Appointed Director"); and

WHEREAS, the Bylaws specify that the City Council Appointed Directors must be persons serving as Mayor, a member of the City Council, the City Manager, or an Assistant City Manager, but that not more than one (1) City Council Appointed Director may be an elected official; and

WHEREAS, the City's Ethics Code permits the City Council to appoint a person to the board of directors or other governing board of a business entity without acquiring a substantial interest in the entity so long as the person receives no direct or indirect remuneration for his or her service and the primary nature of the business is either charitable, nonprofit or governmental; and

WHEREAS, the City Council Appointed Directors will not receive remuneration or have any other financial interests in MAFW; and

WHEREAS, the Bylaws provide for staggered, four-year terms of each Board member, including City Council Appointed Directors; and

WHEREAS, the City Council previously appointed two individuals to serve as City Council Appointed Director (Resolution 4705-12-2016), with the term for one such position having recently expired, and with the other position soon to be vacant due to changes in City personnel; and

WHEREAS, the City Council wishes to appoint the individuals named below to the Board as City Council Appointed Directors in order to further the City's and the public's interests in the management and operation of the multipurpose Dickies Arena.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FORT WORTH, TEXAS:

1. **THAT** the persons whose names appear below are hereby appointed to the Board as City Council Appointed Directors to serve for terms expiring on the dates set forth below:

Name	City Position	Expiration of Term
Dennis Shingleton	City Council Member	May 26, 2023
David Cooke	City Manager	May 26, 2020

2. **THAT** each respective term of a City Council Appointed Director will be deemed vacant upon the effective date that such individual is no longer serving as Mayor, a member of the City Council, the City Manager or an Assistant City Manager.

3. **THAT** the City Council hereby reserves the right, at any time and for any reason, to remove a City Council Appointed Director and to appoint a qualifying individual to serve in that Director's place for the remainder of his or her term.

4. **THAT** this Resolution shall take effect immediately upon its adoption.

AND IT IS SO RESOLVED.

ADOPTED this ____ day of June 2019.

ATTEST:

By: ________________________

Mary J. Kayser, City Secretary

A Resolution

NO. ______

AUTHORIZING THE CITY MANAGER TO DEVELOP AND IMPLEMENT THE PLAN FOR CLOSURE AND RE-PURPOSING OF SYCAMORE CREEK GOLF COURSE INTO A COMMUNITY PARK BY OCTOBER 1, 2019 (COUNCIL DISTRICT 8)

WHEREAS, in 1977, the City of Fort Worth acquired Sycamore Creek Golf Course from J. C. Fincher; and

WHEREAS, the golf course consists of 66 acres, 30 acres owned by the City of Fort Worth and 36 acres leased from the Tarrant Regional Water District; and

WHEREAS, Sycamore Creek golf course has operated as a municipal golf course for more than forty years; and

WHEREAS, Sycamore Creek golf course is a nine-hole golf course with two sets of tees providing an 18 hole golf course experience with nine greens; and

WHEREAS, Z. Boaz golf course was closed in 2012 and land re-purposed into a community park and the Park and Community Services Advisory Board directed staff to review the feasibility of Sycamore Creek golf course by 2014; and

WHEREAS, the City of Fort Worth Water Department has designed and planned for the construction and installation of a sixty six inch sewer line running through Sycamore Creek golf course beginning the end of 2019 and construction time 12 to 18 months; and

WHEREAS, Sycamore Creek golf course will be closed to the public for an extended period of time, staff was directed to evaluate and analyze if the golf course should be restored or re-purposed into a community park; and

WHEREAS, in 2019 a sixteen–member Sycamore Creek Study Committee was created and charged with evaluating the historical and financial data for Sycamore Creek golf course and make recommendations to the Park and Recreation Advisory Board for the continued operation or re-purposing into a Community Park; and

WHEREAS, the Sycamore Creek Study Committee considered the following three questions. 1) Do you agree the current golf course model is not sustainable? 2) Do you agree that investing more money into Sycamore Creek golf course most likely would not result in a financially sustainable golf course? And 3) Is there a better use of the land?; and

WHEREAS, on April 10, 2019, the Committee issued its recommendation to the Park and Recreation Advisory Board, inclusive of closure and re-purposing of Sycamore Creek golf course into a community park; and

WHEREAS, the golf rounds produced at Sycamore Creek golf course average 12,500 rounds per year with a breakeven number of rounds established at 24,000; and

WHEREAS, the golf course has continually experienced a loss of revenues over twenty-five years (1994 – 2017) with an average loss of ($162,895) annually; and

WHEREAS, one public meeting and four Neighborhood Association Meeting were held to receive feedback from the community and the consensus was the citizens would be better served with a community park rather than a golf course; and

WHEREAS, on May 22, 2019 the Park and Recreation Advisory Board voted unanimously to re-purpose the Sycamore Creek golf course to a community park; and

WHEREAS, on June 14, 2019, staff made a presentation to the Fort Worth City Council regarding "Re-Purposing of Sycamore Creek Golf Course for Use as a Community Park" and presented the recommendations from staff, the Sycamore Creek Study Committee and the Park and Recreation Advisory Board; and

WHEREAS, the City Council directed staff to prepare a resolution for Council consideration for the re-purposing of Sycamore Creek golf course as a community park; and

WHEREAS, re-purposing of the facility currently known as Sycamore Creek golf course is anticipated to improve the long-term viability of the Golf Program and to help the City to meet its goals of providing adequate community park facilities to meet the needs of all of its citizens.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FORT WORTH, TEXAS, THAT:

1. That the City Manager is hereby authorized to develop and implement a plan for the closure of Sycamore Creek golf course no later than September 30, 2019; and

2. That the City Manager is further authorized to re-purpose the Sycamore Creek park property, hereafter to be known as Sycamore Creek Community Park, into a traditional community park for the use and enjoyment of the general public.

Adopted this 11th day of June 2019.

ATTEST:

By: _________________________________

Mary Kayser, City Secretary

No Documents for this Section

CITY COUNCIL MEETING

Tuesday, June 11, 2019

RISK MANAGEMENT REPORTIING PERIOD 5/29/2019 – 6/4/2019

Claims listed on this report have been received in the Risk Management Division claims office and either have been or will be thoroughly investigated. The decision whether or not to accept liability is predicated on applicable provisions of the Texas Tort Claims Act. If any claimant contacts you, please refer them to Mark Barta ext. 7790 or Sophia Gatewood ext. 7784. Thank you.

CLAIMANT	DATE RECEIVED	DATE OF INCIDENT	LOCATION	INCIDENT TYPE	ALLEGATION	DEPT	ESTIMATE	INJURY
Alderidge, Tom	5/6/2019	5/6/2019	US Hwy 287	Auto	Collision - Driving	Police	No	Yes
Anderson, Aron	5/30/2019	5/14/2019	Water	General Liability	Discrimination	Water	No	No
Brown, Patrick	5/30/2019	8/4/2018	Clark Stadium	Auto	Collision - Driving	Police	No	No
Dyer, Lisa	5/17/2019	5/10/2019	IH 35	Auto	Collision - Driving	Police	Yes	No
Martin, Timothy	5/31/2019	5/22/2019	Forbes St	General Liability	Foreign Object	Water	No	No
Collazo, Lucia	5/31/2019	5/13/2019	Elaine Pl	Auto	Collision - Driving	Water	Yes	No
McBride, Deyone	5/31/2019	5/17/2019	Country Creek	Auto	Collision - Driving	TPW	No	No
Sanchez, Everado	6/3/2019	5/10/2019	Nelson Ave	General Liability	Foreign Object	PACS	No	No

No Documents for this Section

No Documents for this Section

Zoning Docket items are linked on the Council Meeting Agenda.

No Documents for this Section