

City of Denton



City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

ACM: Cassey Ogden

DATE: November 18, 2024

SUBJECT

Consider recommending adoption of an ordinance of the City of Denton, Texas considering all matters incident and related to the issuance, sale and delivery of up to \$300,000,000 in principal amount of "City of Denton Utility System Revenue Refunding Bonds, Series 2025"; authorizing the issuance of the bonds; delegating the authority to certain city officials to execute certain documents relating to the sale of the bonds; approving and authorizing instruments and procedures relating to said bonds; enacting other provisions relating to the subject; and providing an effective date.

BACKGROUND

The Utility System Extendable Commercial Paper ("UECP") program established in 2021 requires an annual adoption of a Utility System Revenue Refunding Bond Ordinance. If needed, the refunding bonds sold would be used to pay off any maturing short-term extendable commercial paper and convert the debt to long term financing.

Commercial paper notes cannot have a maturity that is later than the 270th day after the date on which the paper is initially issued. This Ordinance is an integral part of the UECP program because it provides delegated authority that allows refunding bonds to be issued, within certain parameters, in the event that commercial paper is issued and cannot otherwise be retired or defeased by the 270th day.

By doing so, City staff will be authorized to execute the sale without additional Council action. Once the exact terms of the transaction are determined, staff will provide the City Council with additional information in an informal staff report. This ordinance will give staff the flexibility to sell revenue refunding bonds to pay off the commercial paper outside of the City's normal financing routine should it be necessary.

One benefit of adopting this refunding ordinance is establishing the authority to execute the sale of long-term debt quickly, avoiding additional costs of step-up rates by not having to extend the commercial paper term. Another benefit is rating agencies view the refunding ordinance as a positive measure that ensures the City has a quick and viable means of paying off maturing commercial paper. This measure will assist in maintaining a desirable credit rating on the commercial paper. A third benefit is potential investors view the refunding ordinance as a positive measure that increases confidence in the investment.

The parameters ordinance sets the following requirements in order to complete the sale of the revenue bonds.

- (i) the aggregate original principal amount of the Bonds shall not exceed \$300,000,000;
- (ii) the maximum stated maturity of the Bonds shall not exceed 30 years from the date of issuance;

- (iii) the Bonds shall bear interest at a fixed rate, and the net effective interest rate on the Bonds shall not exceed the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Issuer in the exercise of its borrowing powers (prescribed by Chapter 1204, Texas Government Code, as amended);
- (iv) the delegation made hereby shall expire if not exercised by the Pricing Officer through execution of a Pricing Certificate on or prior to December 3, 2025; and
- (vi) on or prior to delivery, the Bonds shall be rated by a Rating Agency for municipal securities in one of the four highest categories for long-term obligations.

RECOMMENDATION

Staff recommends moving forward with the annual refunding ordinance approval by City Council.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

The required annual adoption of the UECP was last approved by City Council on December 12, 2023 (Ord 23-2241).

EXHIBITS

- 1. Agenda Information Sheet
- 2. Ordinance

Respectfully submitted:
Ranee Klingele
Treasury Manager